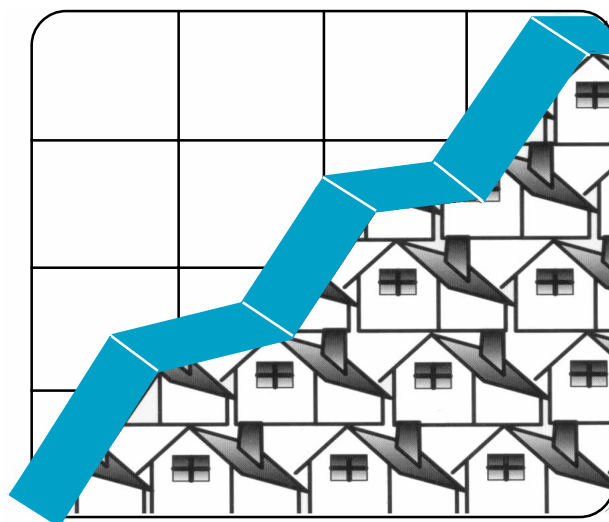


1995 FALL

# Alaska Housing Market Indicators

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1995  
F A L L

PUBLISHED JULY 1996

# Alaska Housing Market Indicators

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Fall 1995

July-December 1995

## Prepared by

Alaska Housing Finance Corporation

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## Editor's Note

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laska *Housing Market Indicators* is now available on-line. The executive summaries of all past issues of *Indicators* and an index to feature articles published from 1993-1995 are available on the World Wide Web at the Alaska Housing Finance Corporation Home Page. Just point your web browser to: <http://www.revenue.state.ak.us/ahfc/ahfc.htm>, and be sure to set a bookmark. Also available through the AHFC Home Page is information about other AHFC programs and divisions.

Rural Perspectives, a new feature article series, makes its debut in this issue of *Alaska Housing Market Indicators*. In coming issues, *Indicators* will visit other regions of the state to learn, through the eyes of correspondents living and working in rural communities, more about the unique housing markets of Alaska's varied cultural, geographic, and economic environments.

Readers looking for the Annual Construction Cost Survey will find it in the upcoming Spring 1996 issue, together with the 1996 Annual Rental Survey. The timing of the survey has been changed at the request of the industry partners participating in the survey program.

Finally, in the we don't always get it right department.....a couple of kind readers have pointed out a discrepancy between the 1995 Annual Rental Survey information published in the Spring 1995 *Indicators* and the tables published by the Alaska Department of Labor in the December 1995 issue of *Alaska Economic Trends*. The discrepancy occurred when we made what appeared to be a minor editorial change to the table headings, and could lead to confusion in interpretation of some of the data. Corrected tables are included in this issue. We regret any inconvenience this error may have caused our readers. We're also encouraged to know that our readers are actively using *Indicators* data in their research, and are grateful to them for pointing out this error so that we can issue a correction.

Drop us a note, tell us how you are using *Alaska Housing Market Indicators*. Your comments and suggestions are welcome and appreciated. Please contact us at:

### **Editor, Alaska Housing Market Indicators**

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## Acknowledgment

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**W**e wish to thank the primary and secondary mortgage lenders listed below for responding to our quarterly survey of mortgage loan activity and for their willingness to continue to participate in future surveys. The list includes the major government and private providers of mortgage funds in Alaska. Some of the participants are primary mortgage lenders. That means they originate loans to keep in their own portfolios or to sell them to participants in the secondary mortgage market. Institutions such as Alaska Housing Finance Corporation and Federal National Mortgage Association (Fannie Mae) operate in the secondary mortgage market, purchasing mortgages originated by primary lenders. Secondary mortgage activity is an important source of liquidity for mortgage lending. Although primary lenders and secondary purchasers differ, both provide financing for Alaskans to buy homes. For the purposes of this report, maintaining the distinction is not particularly important. Therefore, occasionally, there will be a reference to “lenders” or to “other lenders,” some of which are primary lenders and some secondary purchasers. Unless the difference is critical to the discussion, no distinctions are made.

Alaska Federal Savings and Loan  
Alaska Housing Finance Corporation  
Bank of America Alaska N.A.  
City Mortgage  
Denali State Bank  
Federal National Mortgage Association  
First Bank of Ketchikan  
First National Bank of Anchorage  
Key Bank of Alaska  
Mt. McKinley Mutual Savings Bank  
National Bank of Alaska  
Northrim Bank  
Rural Housing Service (formerly USDA Farmers Home Administration)  
Seattle Mortgage



# Executive Summary

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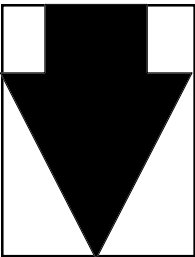
**B**olstered by a limited low-interest rate program that enticed first-time and trade-up home buyers into the market, housing activity for the last half of 1995 outpaced 1994 levels for the same two quarters. Introduced in the fourth quarter of 1994 by the Alaska Housing Finance Corporation, the program offered low and moderate income home buyers an attractive fixed 30-year interest rate of 5%, on a maximum \$135,000 loan for purchase of a principal residence, with a low down payment requirement.

Without the entry of this previously underserved market segment, overall loan volume would have declined by 5.5% when compared with 1994. Instead, total volume, fueled in part by nearly \$90 million in 5% Program loans, topped 1994 levels by 3%. Interest rates, which fell from an average of 8.04% to 7.62% by year-end, would have remained relatively constant without the influence of the 5% Program.

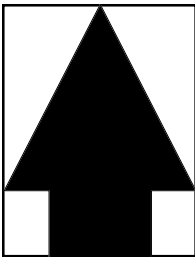
Despite the 5% Program, however, the affordability index remained unchanged, as lower interest rates and modest increases in wage and salary income were offset by rising home prices. With the close of the 5% Program, average interest rates are expected to edge upward again. Rising interest rates, combined with anticipated flat growth in wage and salary income could have a negative effect on affordability in the coming year, effectively narrowing the market of home buyers, particularly first-time home buyers by a significant margin.

The immediate effects of the 5% Program are readily measurable, and show up in the lower average interest rates posted over the year, greater number of loans made, and increased loan volume. Of particular note is the effect of the program on the condominium market, where both volume and values surged in response to the availability of a

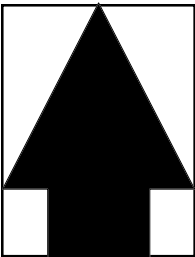
**Housing Market Indicators**  
July-December 1995  
Compared with same period of 1994



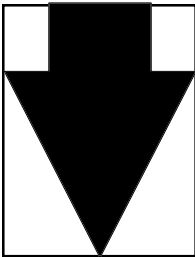
Mortgage Loan Rates



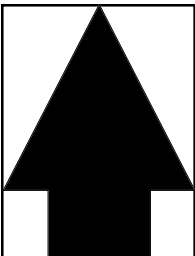
New Housing Units Authorized



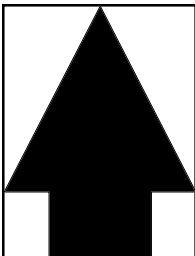
Home Prices



Wage and Salary Income

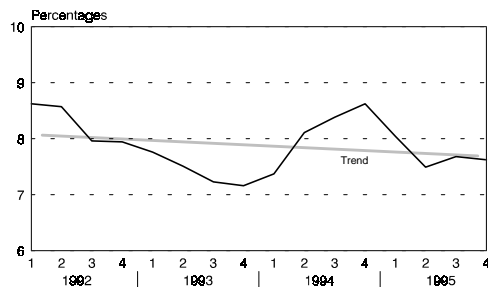


Dollar Volume of Loans



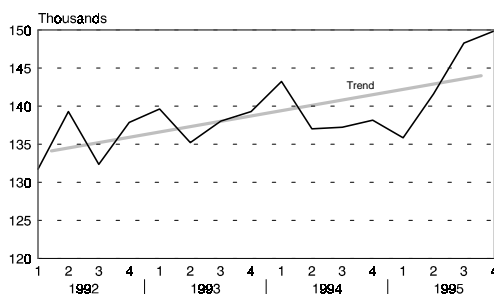
Affordability Index

## Interest Rate



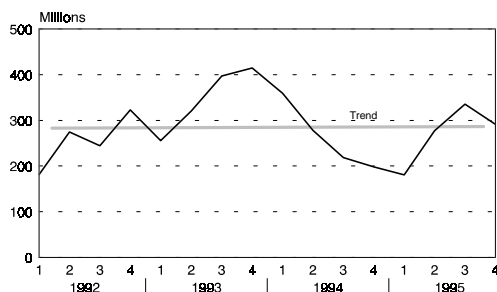
financing vehicle aimed squarely at lower-cost, entry-level homes, a niche filled for many buyers by condominiums. Value of condominiums was also enhanced by increasing levels of owner-occupancy made possible by the 5% Program. Anecdotal evidence indicates that many single family homes previously held as rental properties are now in the hands of owner-occupants as well. A recent study released by the Municipality of Anchorage confirms that the home ownership rate in that city has risen by nearly 10% since 1990, to 62%.

## Average Sales Price



Other impacts of the program are not as easy to quantify, but are evident nonetheless. The quick introduction of the program effectively drew up supply, and prompted absorption of the remaining inventory of lower-cost homes, spurring new construction of additional units, including new condominiums. The multiplier effect of new construction no doubt spun off other positive notes in the building industry. Many existing home owners were able to take advantage of the heightened demand for modestly-priced units to sell their current homes, and move up to units with greater amenities and floor space. Over the year, 879 new homebuyers who purchased through the 5% Program took possession, and bought furnishings and appliances, planted landscaping and made other expenditures in connection with their new homes.

## Dollar Volume of Loans



Source: Alaska Department of Labor, Research and Analysis Section.

Responding to increased sales volume, prices edged up as well. While increasing prices pinch affordability for new homebuyers, they also increase equity for existing home owners. In an increasingly uncertain employment scene, many home owners in the large “baby boom” age group are electing not to trade up to more commodious housing, but to make improvements to their current homes. The increased value of their homes, driven in part by the overall increase in home prices, may allow for translation of the equity windfall into remodeling of older, existing homes.

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Benefits of the 5% Program were most evident in the state's urban areas, where sufficient stocks of entry-level housing were mated with ready buyers. Although the program was available statewide, volumes were significantly lower in rural communities, where home prices tend to be higher and the supply of available housing is much more restricted.

However positive the outcomes of the 5% Program, the long-term trends for the housing market are not as encouraging. After a rocky decade punctuated by extremes in both directions, the market has settled into a period of relative stability. Of continuing concern is the long-term affordability question, particularly given the outlook for wage and salary income to grow only minutely in the coming year, reflecting the growth of low-wage industries in the state.

### 5% Program Activity Summary

Quarter	Total Loan Volume	Total Sales Volume	Total Number Loans	Total SFR Loans	Total Condo Loans
1Q95	\$ 25,404,255	\$ 26,452,675	253	224	29
2Q95	53,396,938	56,220,546	527	473	54
3Q95	9,053,011	9,572,124	84	82	2
4Q95	1,613,666	1,969,106	15	15	0
<b>Total</b>	<b>\$ 89,467,870</b>	<b>\$ 94,214,451</b>	<b>879</b>	<b>794</b>	<b>85</b>

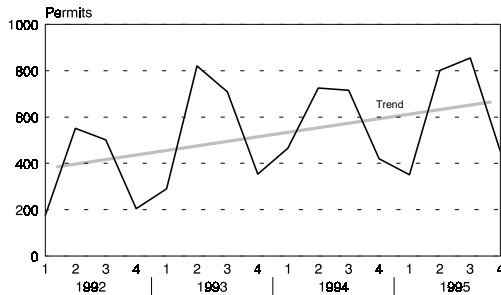
### 5% Program — Snapshot Characteristics

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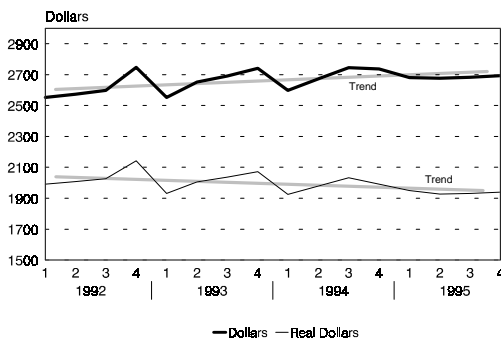
Average Loan Amount	\$ 101,784
Average Sales Price	\$ 107,184
Average Borrower Income	\$ 38,316

In response to an apparently shrinking market of traditional home buyers, lenders in the Lower 48 states have been experimenting recently with a variety of new lending products aimed at bringing previously-considered "marginal" borrowers into the marketplace. The products typically feature low down payment requirements, flexible underwriting criteria, and even provisions for down payment assistance from third party resources. As Alaskan lenders consider importing some of these products, they will no doubt be looking critically at the products' performance and profitability,

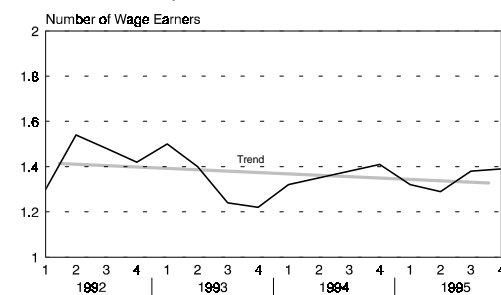
### New Housing Units



### Wages



### Affordability Index



Note: The **Affordability Index** is the number of earners needed to qualify for an 85% mortgage. Contrary to other common indexes, this one decreases when affordability improves, and increases when affordability declines. Therefore, a **smaller affordability index or a decrease is always more favorable to buyers**. Source: Alaska Department of Labor, Research and Analysis Section.

particularly in view of the state's historically cyclical economic environment. It will be interesting to see if the depth of demand for these products that has cropped up in the Lower 48 is matched in Alaska's communities, where the short-term commitment of rental housing has held a certain cachet for more transient, albeit employed, components of the population.

The strongest building season in the past ten years represented another bright spot for Alaska's housing industry in 1995. While national trends showed a 7.5% decline in housing starts, Alaska posted a strong increase of 14.9% over 1994 activity, with 3,170 new housing units authorized across the state. Over 80% of these units were single-family homes, an increase of 4.3% over 1994, perhaps an outgrowth of heightened consumer interest in home ownership. Recognizing that not all local governments issue actual building permits, the *Indicators* permit survey records new units identified through other means as well, such as electrical or sewer hook-ups, and septic tank permits.

Data published in *Indicators* includes historical data, **final** figures for the second and third quarters of 1995, and **preliminary** data for the fourth quarter of 1995. It is important for data users to distinguish between final and preliminary data, as data presented in subsequent issues of *Indicators* may show slight adjustments to the preliminary figures. Data users will want to note this in their research or other work based on *Indicators* information, and ensure that updated, final data is incorporated into their analyses when it becomes available.

# Rural Perspectives: Bristol Bay

by Grant Shimanek

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**A**cquiring housing in Bristol Bay is similar to sailing through rough seas to harvest the ever abundant run of fresh Alaskan salmon. Residents face unique challenges on a journey to raise financing, obtain land, and fulfill their dreams of home ownership. The following article offers a brief glimpse into the circumstances that are encountered along the course.

## Financing

*Grant Shimanek is the Loan Examiner in AHFC's Dillingham Field Office, where his responsibilities include educating and counseling rural Alaskans on home buying and homebuilding. Raised on the Kenai Peninsula, he has lived in rural Alaska for over 27 years, and in Southwest Alaska for 24 years. His background includes higher education, journalism and community service.*

The way weather changes from hour to hour in Bristol Bay reflects extremes in the region's economy, affecting residents' abilities to qualify for housing monies and provide payment stability. Income resources range from seasonal occupations, such as commercial fishing and tourism, to more lucrative government-funded jobs which are becoming less available. Unemployment is high in smaller remote communities, where jobs are few and many people subsist off the land to feed their families.

Many people in southwest Alaska are involved with commercial fishing, and have to deal with unpredictable incomes each year in the attempt to make a living off seafood harvests. Catch sizes and prices are controlled by “bust or boom” cycles and oscillating seafood markets. Few local fishers realize profit margins that would place them above moderate income levels. Captain and crew members alike are often required to supplement their incomes with other forms of employment in order to obtain housing. Families wholly dependent on commercial fishing must wait for a bonus harvest to buy or build homes out of pocket.

An increasing number of Bristol Bay residents are looking to other economic opportunities. New horizons are being explored in the tourism industry and other small business operations. Start-up capital is limited, overhead costs are high, and many of the competing businesses are owned by investors from outside the area. However, a new generation of entrepreneurs is beginning to find means to finance their projects, while at the same time scraping up ways to support their families.

## **Land**

Searching for land is like cruising up a shallow channel in the Bay with menacing sand bars at every way point. Although spacious and endowed with natural splendors, the majority of land in southwest Alaska is not “for sale” to the many potential homeowners who desire private ownership.

Federal and state governments own most of the region’s land, set aside as wildlife refuges, parks, and other designated holdings. Native Corporations hold land shares for resource development. The Alaska Native Land Claims Settlement Act provides the state’s indigenous peoples with promised lands, but many of the tracts are inaccessible or require significant investment to develop. Townsite lots are few and difficult to obtain due to transfer processes. Limited private lands become available from time to time, and are quickly snatched up by the region’s growing population. The dynamics of supply and demand increase land costs in the face of scarcity.

Most remote small communities need to develop home sites capable of supporting utilities, water, and sewer. Efforts are being made in larger hub communities to develop new subdivisions. In smaller communities, local governments and Native corporations are offering long-term land leases to help meet demands for housing. Opportunities continue to evolve for construction on alpine terraces, rolling tundra, or waterfront properties, making Bristol Bay a wonderful location for building a home, if the land can be obtained.

## Homeownership

Visualize a net boiling with struggling hundreds of fish crowded into the mesh. The housing market in southwest Alaska is in similar circumstances. Imagine yourself to be a seventeen-year-old youth, waking up on one end of a couch in the small living room/kitchen. Your brother sleeps at the other end. Mom, dad, another younger child, a baby, all sleep in one of the small bedrooms. The second bedroom is occupied by grandma and grandpa. Your older sister makes the morning coffee. The floor is cold and reveals years of use. This is the home environment where attitudes, opinions, and beliefs are fostered.

Overcrowding results from the increasing housing shortage as the population grows in the Bristol Bay region. The average age of most homes in southwest Alaska is more than 22 years. Most of these dwellings were constructed with little consideration of energy efficiency. People who attempt to overcome these obstacles are on their own due to the lack of a coherent infrastructure in the housing industry; there are no Realtors and few contractors. Often, a potential home buyer must assume the role of both Realtor and builder.

Encouraging efforts are underway to find solutions to Bristol Bay's housing dilemma. Private lending institutions are making a greater number of home improvement loans in the region, and have increased their participation in mortgage activities out to the most remote locations. Alaska Housing Finance Corporation rural loan programs offer additional possibilities for financing of new construction and renovating homes. Regional Housing Authorities are in the process of changing their strategies to meet housing needs as they face continued cutbacks in federal funding. There are plans by all these entities to find ways of bolstering local economies so that families can rise above marginal incomes to obtain safe and affordable housing.

Anyone who has ever set foot onto a fishing boat has learned that hauling in the catch is an invigorating experience — so it is with the Bristol Bay resident whose dream of home ownership becomes a reality. The resources are there but, like fishing, it takes preparation, determination and perseverance, combined with a good sprinkling of luck to bring the catch to the beach.





## Results of the Quarterly Survey of Alaska Lenders

### Loan Activity Rose in 1995 as Rates Fell

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Table 1-1 to 1-3

**T**otal statewide loan volume recorded a slight increase in 1995, reflecting declining interest rates that continued to show the influence of the special short-term 5% Loan Program offered by the Alaska Housing Finance Corporation. Average interest rates on all loans fell from 8.04% at the beginning of 1995 to 7.62% at year-end. Total loan dollar volume in 1995 rose to \$1,085.0 million, an increase of \$31.7 million, or 3.0% over 1994. Single-family loan volume increased by 1.9% and condominiums climbed 45.3%. Without the 5% Loan Program, which accounted for \$89.5 million, total loan dollar volume would have declined 5.5% in 1995.

# New Loan Activity Alaska

## Single-Family Homes and Condominiums, Including AHFC

1st Qtr 1992 - 4th Qtr 1995

Table 1-1

Qtr/Yr	Number of Loans	Average Loan	Total Loans	Average Sales Price	Total Sales Price	Loan- To-Value Ratio (%)
<b>Total Single-Family and Condominium Residences</b>						
4Q1995	2,369	\$123,036	\$291,472,986	\$146,698	\$347,528,422	83.9
3Q1995	2,742	122,374	335,549,257	145,122	397,923,790	84.3
2Q1995	2,324	119,410	277,509,205	137,069	318,548,674	87.1
1Q1995	1,563	115,434	180,423,456	132,096	206,466,243	87.4
4Q1994	1,688	117,151	197,751,617	135,568	228,839,041	86.4
3Q1994	1,906	114,631	218,486,140	134,354	256,079,594	85.3
2Q1994	2,432	114,230	277,806,431	135,227	328,871,864	84.5
1Q1994	3,100	115,887	359,248,623	141,694	439,251,706	81.8
4Q1993	3,613	114,722	414,489,558	137,774	497,777,277	83.3
3Q1993	3,463	114,668	397,096,973	136,831	473,844,873	83.8
2Q1993	2,877	111,510	320,814,796	133,227	383,293,262	83.7
1Q1993	2,251	113,573	255,652,022	137,551	309,627,701	82.6
4Q1992	3,026	111,689	337,972,182	136,046	411,676,220	82.1
3Q1992	2,377	112,227	266,764,425	130,830	310,982,636	85.8
2Q1992	2,633	112,731	296,820,230	137,779	362,773,390	81.8
1Q1992	1,927	106,916	206,026,301	130,794	252,040,533	81.7
<b>Single-Family Residences</b>						
4Q1995	2,252	\$125,414	\$282,432,405	\$149,890	\$337,552,519	83.7
3Q1995	2,611	124,845	325,971,541	148,287	387,177,279	84.2
2Q1995	2,154	123,141	265,246,099	141,593	304,990,710	87.0
1Q1995	1,458	118,573	172,879,863	135,836	198,048,388	87.3
4Q1994	1,617	119,379	193,035,107	138,154	223,394,663	86.4
3Q1994	1,811	117,093	212,056,151	137,242	248,546,084	85.3
2Q1994	2,328	115,511	268,910,367	137,002	318,939,733	84.3
1Q1994	3,015	117,027	352,836,845	143,231	431,840,807	81.7
4Q1993	3,517	115,984	407,917,184	139,289	489,877,956	83.3
3Q1993	3,386	115,601	391,425,529	138,010	467,301,091	83.8
2Q1993	2,764	113,442	313,552,306	135,661	374,967,087	83.6
1Q1993	2,167	115,178	249,589,964	139,631	302,581,206	82.5
4Q1992	2,918	112,897	329,434,137	137,848	402,239,104	81.9
3Q1992	2,265	113,184	256,360,862	132,342	299,754,526	85.5
2Q1992	2,538	113,686	288,535,638	139,267	353,458,812	81.6
1Q1992	1,876	107,925	202,466,751	131,705	247,079,277	81.9
<b>Condominium Residences</b>						
4Q1995	117	\$77,270	\$9,040,581	\$85,264	\$9,975,923	90.6
3Q1995	131	73,112	9,577,716	82,034	10,746,511	89.1
2Q1995	170	72,136	12,263,106	79,753	13,557,964	90.4
1Q1995	105	71,844	7,543,593	80,170	8,417,855	89.6
4Q1994	71	66,430	4,716,510	76,681	5,444,378	86.6
3Q1994	95	67,684	6,429,989	79,300	7,533,510	85.4
2Q1994	104	85,539	8,896,064	95,501	9,932,131	89.6
1Q1994	85	75,433	6,411,778	87,187	7,410,899	86.5
4Q1993	96	68,462	6,572,374	82,285	7,899,321	83.2
3Q1993	77	73,655	5,671,444	84,984	6,543,782	86.7
2Q1993	113	64,270	7,262,490	73,683	8,326,175	87.2
1Q1993	84	72,167	6,062,058	83,887	7,046,495	86.0
4Q1992	108	79,056	8,538,045	87,381	9,437,116	90.5
3Q1992	112	92,889	10,403,563	100,251	11,228,110	92.7
2Q1992	95	87,206	8,284,592	98,048	9,314,578	88.9
1Q1992	51	69,795	3,559,550	97,280	4,961,256	71.7

Note: Based on survey in Alaska of 13 mortgage lenders in 1992 and 14 beginning 1st quarter of 1993.

Source: Alaska Department of Labor, Research and Analysis Section.

# Alaska Single-Family Loan Activity

## Including AHFC

Table 1-2

4th Qtr 1995

Note: Based on survey of 14 private and public mortgage lenders.

Location	Number of Loans	Average Loan	Total Loans	Percent Loan Volume	Average Sales Price	Total Sales Price	Percent Total Market Value
Anchorage	1,316	\$132,106	\$173,850,909	61.6	\$156,373	\$205,786,370	61.0
Mat-Su	213	102,262	21,781,709	7.7	122,230	26,034,967	7.7
Fairbanks	222	108,009	23,978,006	8.5	127,420	28,287,167	8.4
Kenai	144	101,544	14,622,326	5.2	125,473	18,068,047	5.4
Juneau	155	140,171	21,726,517	7.7	173,353	26,869,743	8.0
Ketchikan	43	140,758	6,052,597	2.1	169,495	7,288,267	2.2
Rest of State	159	128,430	20,420,341	7.2	158,604	25,217,958	7.5
<b>Statewide Total</b>	<b>2,252</b>	<b>\$125,414</b>	<b>\$282,432,405</b>	<b>100.0</b>	<b>\$149,890</b>	<b>\$337,552,519</b>	<b>100.0</b>

Source: Alaska Department of Labor, Research and Analysis Section.

# Alaska Condominium Loan Activity

## Including AHFC

Table 1-3

4th Qtr 1995

Note: Based on survey of 14 private and public mortgage lenders.

Location	Number of Loans	Average Loan	Total Loans	Percent Loan Volume	Average Sales Price	Total Sales Price	Percent Total Market Value
Anchorage	82	\$76,421	\$6,266,514	69.3	\$84,924	\$6,963,785	69.8
Mat-Su	2	75,384	150,767	1.7	79,531	159,062	1.6
Fairbanks	7	64,894	454,260	5.0	70,983	496,884	5.0
Kenai	1	93,500	93,500	1.0	102,850	102,850	1.0
Juneau	13	87,418	1,136,440	12.6	98,180	1,276,342	12.8
Ketchikan	7	88,571	620,000	6.9	90,000	630,000	6.3
Rest of State	5	63,820	319,100	3.5	69,400	347,000	3.5
<b>Statewide Total</b>	<b>117</b>	<b>\$77,270</b>	<b>\$9,040,581</b>	<b>100.0</b>	<b>\$85,264</b>	<b>\$9,975,923</b>	<b>100.0</b>

Source: Alaska Department of Labor, Research and Analysis Section.

Although 1995 loan dollar volume was higher than 1994, the total number of 1995 loans was actually 1.4% lower than 1994. The overall average sales price rose 2.8% from \$137,305 to \$141,194, while the average loan increased 4.5%, indicating that borrowers may be reducing down payment size in reaction to higher sales prices. Single-family homes continued to dominate the market, accounting for 19 out of every 20 loans made in Alaska during 1995.

Total market value, which represents the sum of sales prices, rose modestly in 1995 with a 1.4% increase above 1994. The total market value of all condominium loans surged upward by 45.3%, while single-family homes went up only 0.4%. Although condominiums represent only a small slice of the market, this increase is notable as an indicator of the new vitality of the condominium market since the late 1980s. Another indicator of rebound in condominiums is the development of new projects, which are selling at higher prices than existing stock.

As is typical for the season, compared to the third quarter, both total loans and loan volume fell during the fourth quarter. Total loans dropped 13.6% from 2,742 to 2,369, while loan volume declined 13.1%, yet both components were well above the prior year level, 40.3% and 47.4%, respectively. Single-family homes and condominiums both posted lower activity compared to the previous quarter. Single-family loans and loan volume fell 13.7% and 13.4%, while condominium loans and loan volume dropped 10.7% and 5.6%.

The total market value of all residential sales during the fourth quarter declined 12.7% from \$397.9 million to \$347.5 million. Both single-family homes and condominiums mirrored this trend by dropping 12.8% and 7.2%, respectively. Similar declines were also reported for loan volume, which fell 13.4% for single-family homes and 5.6% for condominiums. Compared to the prior year, total market value and loan volume closed out 1995 with increases in both the single-family and condominium categories.

Combined average sales prices increased during the last half of 1995, moving steadily upward from \$132,096 at the end of 1994, to \$137,960 in June, and up to \$146,698 by year-end, an annualized increase of 8.21%. Single-family homes saw prices edge higher to \$149,890, an increase of 1.1% from the previous quarter and 8.5% from the prior year level. Sales prices increased for condominiums as well, with 4.4% gains over the previous quarter and an increase of 11.2% over the prior year.

Loan-to-value ratios provide an indication of the amount of down payment, or initial equity borrowers invest in their homes. They also reflect the types of financing terms available, and during 1995, were affected by the presence of the popularly-known 5% program. From 1994 to 1995, the overall loan-to-value (LTV) ratio crept up from 84.1% to 85.4%. In 1994, interest rates rose in each quarter as did the LTV, while in 1995 both interest rates and the LTV declined in each quarter. The fourth quarter LTV was down to 83.9% from 84.3% in the previous quarter, reflecting the diminishing influence of 5% loans on the total volume.

Although home buyers had to contend with rising home prices during 1995, they benefitted from falling interest rates and rising average wages. At year-end, overall loan activity was slightly stronger in 1995 than 1994, primarily due to AHFC's 5% Loan Program which bolstered final results. Statewide employment grew for the eighth consecutive year in 1995 due to strength in the expanding services sector and strong construction activity; however that job growth occurred at the slowest pace of the decade. Continued stagnation on the employment scene could exert real impacts on the housing market picture for 1996.

## Total Loan Volume Rose in 1995

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**S**urveyed lenders reported that total loan dollar volume rose 3.0% from 1994 to 1995. During 1995, total single-family volume increased 1.9%, or \$19.7 million, while condominium volume rose 45.3%, or \$12.0 million. The annual results were impacted by AHFC's 5% Loan Program which accounted for one out of ten loans in 1995. Excluding the 5% loan Program from the final results, total loan volume would have actually declined by 5.5%, with single-family homes down by 6.2% and condominiums increasing by only 20.6%.

Third quarter total loan volume surged upward by a remarkable 20.9% over the previous quarter, to \$335.5 million, only the second increase in seven straight quarters. All but three of the lenders surveyed reported higher volumes, with increases ranging from 20.5% to 152.4%. At the same time, the portion of the loan volume represented by the 5% loan program fell by 83%, as the program wound down to comprise only 2.7% of total loan volume during the quarter. Conversely, non-5% program loans posted a strong increase, jumping 45.7% to \$102.4 million.

During the fourth quarter, total loan volume declined to \$291.5 million, a drop of 13.1%, or \$44.1 million from the previous quarter. Single-family home volume fell by 13.4% to \$282.4 million, while condominiums declined by 5.6% to \$9.0 million. Dollar loan volume from the 5% Loan Program only amounted to \$1.6 million, minimizing the influence of the Program on the quarterly results.

Regionally, the only area to gain in total loan volume during the fourth quarter was Kenai (19.6%). Most areas reported significant losses during the seasonally weak quarter including Mat-Su (21.2%), Fairbanks (15.4%), Anchorage (14.5%), and Juneau (14.2%). Comparisons with year-ago levels indicate a significant increase in total loan volume for all areas. Total loan volume rose 47.4% or \$93.7 million to \$291.5 million. Kenai reported the greatest increase at 78.6% followed by Anchorage (60.4%) and Juneau (46.1%). Fairbanks had the least with a gain of 7.8%.

# Statewide Average Single-Family Sales Price Rose

Figure 1-1

**W**hen annualized, the overall statewide average sales price for single-family homes increased by 3.9% from 1994 to 1995, closing the year at \$144,869. For condominiums, annualized average prices declined 4.4% from \$85,411 in 1994 to \$81,641 in 1995.

Third quarter prices were 4.7% above the second quarter for single family homes, rising to \$148,287. Without purchases made possible by the 5% loan program, home prices would have risen slightly higher still, to \$149,375.

Closing out the fourth quarter, single-family home prices posted a 1.1% rise from \$148,287 in the previous quarter to \$149,890, while condominiums reported a gain of 3.9% with average sales prices increasing from \$82,034 to \$85,264.

Regionally, Mat-Su had the lowest average priced home at year-end, with a price tag of \$122,230 closely followed by Kenai (\$125,473) and Fairbanks (\$127,420). Mat-Su has historically held the distinction as the area with the lowest priced homes; however, Kenai had overtaken Mat-Su in the previous quarter as the most affordable area for single-family homes. During the fourth quarter though, Kenai saw home prices rise \$15,114 or 13.7%, while Mat-Su only had a 1.6% rise. Bolstered by a tight housing market, Juneau (\$173,353) surpassed Ketchikan (\$169,495) as the highest area for single-family homes, though both reported declines from the previous quarter. The average single-family home sold in Anchorage for \$156,373 during the fourth quarter, which represented an increase of 0.4% from the previous quarter.

Anchorage continued to account for three-quarters of the state's total condominium activity. Sales prices in Anchorage rose from \$82,359 to \$84,924, a 3.1% gain during the fourth quarter. Juneau was the second most active region for condominium sales, and posted an average sales price gain of 10.7% from the previous quarter.

A recent study by Runzheimer International found that Anchorage's home purchase price of \$160,018 for a 2,000 square foot, four-bedroom house compared very favorably to prevailing prices in Seattle (\$208,205), Chicago (\$218,776), Los Angeles (\$247,616), Boston (\$247,034), or Honolulu (\$410,398) for a comparable product. Before declaring Anchorage to be a relative bargain on the housing front, however, it is important to remember that these prices reflect only the cost of purchasing the home. Not factored in are long-term expenses to heat, maintain, insure and operate the home, which are generally higher in Alaska.

Nationally, home values appreciated 4.3% in 1995, according to the Federal Home Loan Mortgage Corporation. Strongest gains were in the Mountain states (7.3%) while the Pacific states were the lowest with a 0.9% annualized growth rate.

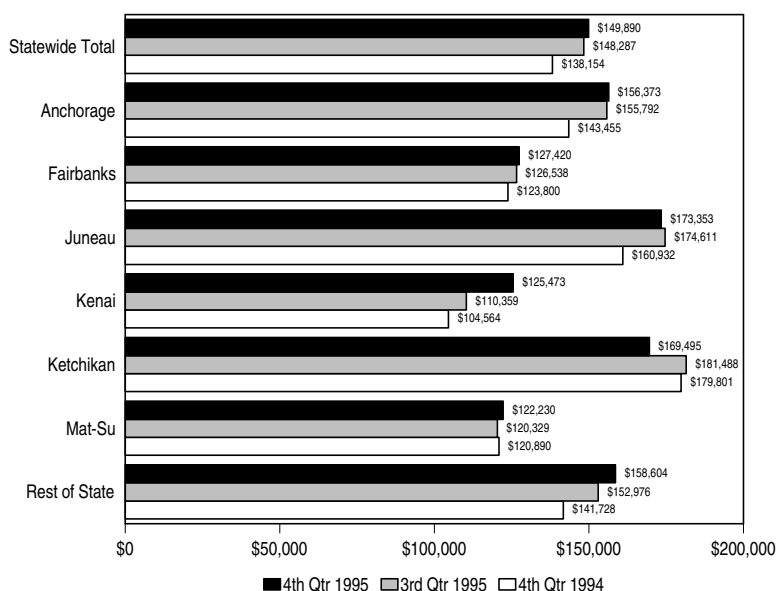
## Average Sales Price Single-Family Homes

Figure 1-1

4th Qtr 1995 vs Previous Quarter and Year Ago

Note: Based on survey of 13 mortgage lenders in 1992 and 14 in 1993, 1994, and 1995.

Source: Alaska Department of Labor, Research and Analysis Section.



## Loan-to-Value Ratios and Third-Party Guarantees

Figure 1-2

**L**oan-to-value (LTV) ratio is a method of comparing the amount of a mortgage loan to the market value of real property secured by the loan. Generally, lower LTVs decrease the lender's exposure to risk by borrower default, as the borrower's investment, or equity in the property increases. Higher LTVs indicate that borrowers are able to obtain loans with smaller down payments. The second half of 1995 reversed the first six months' trend of a rising average loan-to-value ratio, closing the year 85.4%. Presence of the 5% program is readily apparent in the LTV trend, which increased to a high of 87.3%, and declined with the shrinking volume of 5% program loans, which had LTVs up to 100%. The fact that the year-end LTV for 1995 was 1.3% higher than 1994 is less likely related to the presence of a few 5% program loans, than it is a borrower reaction to higher prices, and lower interest rates.

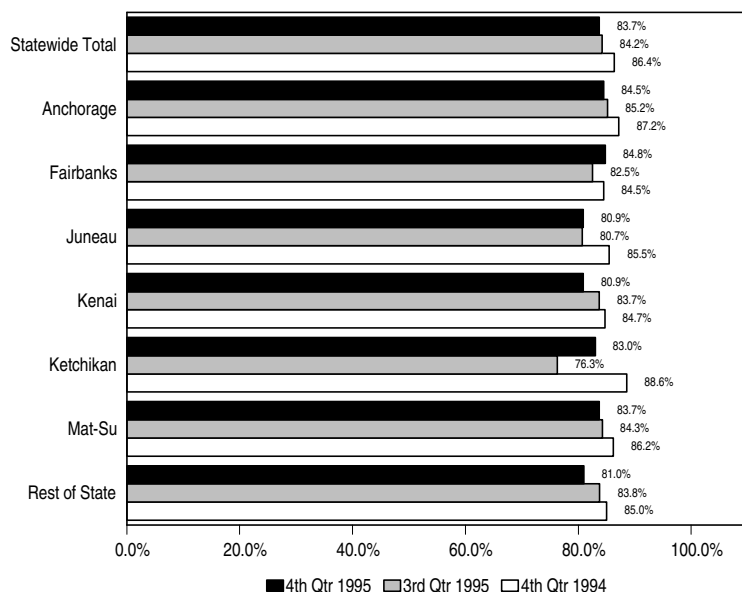
Lenders are able to mitigate some of the risk of high LTV loans through mortgage insurance or guarantees, which protect the lender in case of default. The percentage of insured or guaranteed loans declined from 62.7% in June to 42.5% during the third quarter, and closed out the year at 47.2%, signaling a return to historical levels after being elevated during the first half of the year due to the high number of 5% program loans, which required mortgagees to purchase FHA mortgage insurance or obtain VA guarantees.

## Average Loan-to-Value Ratios

### Single-Family Residences

4th Qtr 1995 vs Previous Quarter and Year Ago

Figure 1-2



Source: Alaska Department of Labor, Research and Analysis Section.

## Interest Rates Fell

**S**tatewide, the average annual interest rate, weighted by dollar loan volume, declined from 8.01% in 1994 to 7.68% in 1995, with the 5% Loan Program slightly impacting the overall results. Without the Program, the average rate would have fallen to 7.94%.

The national trend mirrored the statewide trend with rates falling in each quarter. The national average rate for single-family homes was 7.54% during the fourth quarter, which was down from 7.74% from the previous quarter. Regionally, the Midwest had the highest rates while the South had the lowest rates at year-end.



Overall statewide interest rates, weighted by dollar loan volume, declined slightly for single-family homes from 7.68% to 7.62% during the fourth quarter. Quarterly rates were impacted by the 5% Loan Program which lowered the overall statewide average in each quarter during 1995. Without the 5% Loan Program, fourth quarter interest rates would have averaged 7.64%. Rates in the first and second quarters were the lowest due to the larger volume of 5% loans, while rates in the third and fourth quarters were less impacted by the Program as volume declined. Excluding 5% program loans from the results would have resulted in a rate decline every quarter during 1995.

Although rates were lower both nationally and statewide at year end, there was no real indication of which way rates were headed except that the downward momentum in rates had slowed significantly from the first three quarters of 1995.

## Wage Income Up Slightly

Figure 1-3

**O**n an annual basis, the statewide average wage income declined by 0.2% in 1995. Although seven out of ten Alaska boroughs and census areas reported gains in average wage income, there were eight areas, including Anchorage, which had declines strong enough to pull down the statewide average. Household purchasing power was eroded further by a 2.8% annual increase in consumer prices, as reported by the U.S. Bureau of Labor Statistics.

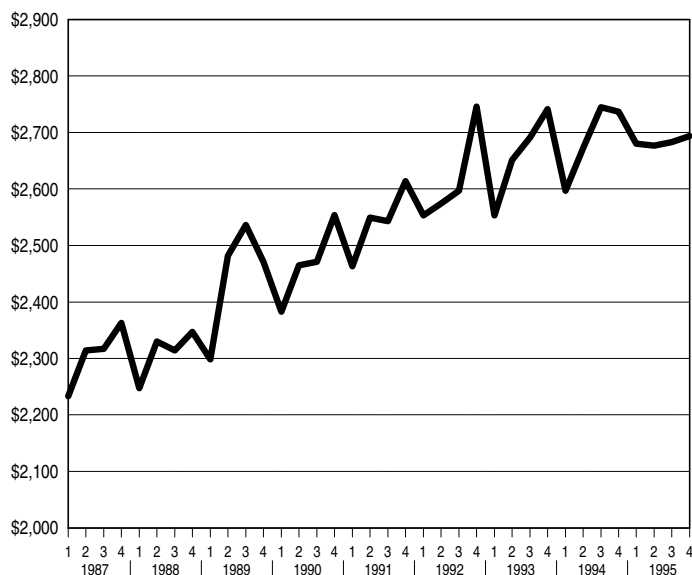
The preliminary statewide monthly wage increased a modest 1.2% from the second to third quarter, and rose again slightly (0.4%) from the third to fourth quarter, gain of only \$11 from the previous quarter. However, the fourth quarter wage of \$2,694 represented a drop of 1.6% over the prior year level. These slight fluctuations in average monthly wages have a negligible effect on housing affordability, but they do reflect the growth of lower-wage and part-time jobs in Alaska's economy. If real wage income continues to decline in the face of even small degrees of inflation, housing affordability will become even more tenuous for a greater number of Alaskan families.

# Average Monthly Wage

## Statewide

1st Qtr 1987 - 4th Qtr 1995

Figure 1-3



Note: Data for the 4th Quarter 1995 is preliminary.

Source: Alaska Department of Labor, Research and Analysis Section.

## Alaskan Affordability Index Remained Unchanged

Figure 1-4



ffordability is a function of wage income, interest rates and sales prices. The Alaskan Affordability Index measures the number of wage earners, each earning the average statewide monthly wage, required to purchase the average home, at prevailing interest rates and terms. A smaller affordability index or a decrease is always more favorable to buyers.

Over the past six months, the affordability index has remained at 1.39, matching the index at the end of 1994. Incremental changes in interest rates, wages, and sales prices exerted no net change on the index. Over the fourth quarter, a slight 1.1% increase in average sales prices was offset by both a decline in interest rates from 7.68% to 7.62% and an \$11 increase in the average wage. Although the affordability index was similar to a year ago, there was considerable difference among the components. At that time, interest rates were a full point higher, but average home prices were lower by 7.8% and wages were higher by 1.6%.

The year-end index meant that to qualify for a 30-year mortgage with 15% down and an interest rate of 7.62%, households would need slightly over one and a third earners receiving the average wage. As the index increases, qualifying for a loan becomes even more difficult.

Regional differences in the affordability index are primarily the result of disparities in sales prices. Ketchikan, traditionally the state's most expensive market saw improvement in affordability as the index moved from 1.73 in the third quarter to 1.62 at year-end, due to average home prices falling by 6.6%. By contrast, Kenai's affordability index jumped from 1.16 to 1.27 during the fourth quarter, driven by a 13.7% increase in average sales prices. Anchorage's affordability index changed negligibly, closing at 1.40.

## Alaskan Affordability Index

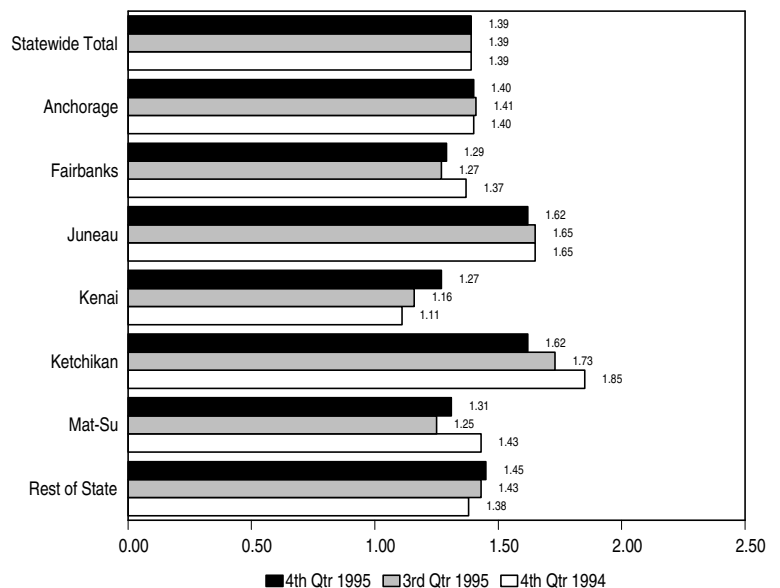
### Single-Family Residences, Private and Public Agency Lenders

Figure 1-4

4th Qtr 1995 vs Previous Quarter and Year Ago

*Note: The Affordability Index is the number of earners needed to qualify for an 85% mortgage. Contrary to other common indexes, this one decreases when affordability improves, and increases when affordability declines. Therefore, a smaller affordability index or a decrease is always more favorable to buyers. Data for the 4th Quarter 1995 is preliminary.*

*Source: Alaska Department of Labor, Research and Analysis Section.*



## National Index Reflects Affordability Pinch

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**A**cross the nation, it was much more difficult for homebuyers to afford a home in 1995, according to a housing affordability index compiled by the National Association of Realtors (NAR). Unlike the Alaska index, the NAR index measures the ratio of median family income required to qualify for a loan; the greater the index number, the greater the measure of affordability. Rising interest rates and increasing home prices conspired to offset an increase in median family income from \$38,782 to \$39,558 in 1995, to drive the NAR affordability index to 126.1 compared to a 1994 index of 131.9. Over the year, interest rates rose from 7.47% to 7.85%, while the median price of an existing home sold in 1995 was \$112,900, an increase of 2.8% over the 1994 price of \$109,800.

During the fourth quarter, falling mortgage rates and a drop in home prices coupled with increased family income boosted the National Association of Realtors' (NAR) housing affordability index. The affordability index rose from 123.3% to 129.9%, and represented the ratio of median family income to required income for a loan. For the fourth quarter, this meant that a family with an income of \$39,496 had 129.9% of the income needed to buy a home. Median family income had risen by 0.5% from \$39,302 to \$39,496, while median home prices had fallen from \$116,100 to \$113,800, a drop of 2.0%. Homebuyers were further assisted by a drop in interest rates which fell from 7.74% to 7.54% during the quarter. This downward trend was evident throughout the quarter as rates fell from 7.68% in October to 7.61% in November to 7.33% in December. The index had stood at 131.3 during the prior year's fourth quarter after peaking at 141.9 during the fourth quarter of 1993.

Lower mortgage interest rates accentuated demand and prices during the fourth quarter for the West, Midwest, and South. The West remained the nation's least affordable region (106.7) while the Midwest was the most affordable with an index ratio of 165.5. Higher median housing prices in the West (\$147,200) drove the disparity in affordability. With interest rates and median household incomes equal, the Midwest's significantly lower home prices (\$95,300) made housing much more affordable to buyers in that region of the Lower 48.

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## Section 2

# AHFC Fourth Quarter Residential Loan Portfolio

### AHFC's 5% Loan Program Provides Impetus

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Figures 2-1 to 2-3

**A**

HFC's 1995 performance was stronger than the prior year due to the 5% Loan Program. The program, which featured a fixed 5% 30-year interest rate on a maximum \$135,000 loan, was introduced in the fourth quarter of 1994, and was active through the end of the second quarter of 1995. The program was funded through the use of proceeds of arbitrage earned by AHFC on outstanding tax-exempt single-family mortgage bond issues. Federal tax law requires that excess arbitrage earned through such transactions be reinvested in similar mortgages, or repaid to the U.S. Treasury. AHFC designed the 5% program to utilize available arbitrage proceeds and bring the yield into compliance with IRS regulations.

The first quarter of 1995 saw the first of these loans closed, with the majority of activity occurring in the second quarter, then tapering off into the final six months of the year. Under the influence of the 5% program, AHFC overall 1995 performance was stronger than the prior year. Total loan dollar volume expanded from \$160.7 million in 1994 to \$224.5 million in 1995, a gain of \$63.8 million or 39.7%. Single-family volume rose 40.0% while condominiums were up 36.2%. Excluding the totals from the 5% Loan Program, AHFC's 1995 results would have declined by \$25.6 million, or 15.9%, to \$135.0 million. Both single-family homes and condominiums would have fallen 14.9% and 32.7%, respectively. The 5% Loan Program accounted for 39.9% of AHFC's total loan volume during 1995. Overall market share for AHFC rose in 1995 to 20.7% versus 15.3% in 1994, but would have fallen to 12.4% if the 5% loans were excluded.

Overall average interest rates weighted by dollar loan volume dropped from 7.01% in 1994 to 6.48% in 1995; however, the rate would have risen to 7.60% excluding the 5% Program. If 5% loans with their restrictive loan ceilings were excluded from the 1995 results, the average loan would have risen 3.7% from \$110,114 to \$114,148. However, due to the average Program loan being \$101,784, the overall average actually slipped in 1995 by 1.1% to \$108,877.

During the last half of 1995, AHFC's total loan volume fell due to declining volume from the 5% Loan Program, closing at \$78.3 million compared to 146.2 million in the first half. The decline was most pronounced in the fourth quarter, as loan volume from the 5% Loan Program fell 82.2% from \$9.1 million to \$1.6 million due to the winding down of the Program. Loans, other than 5%, only dropped from \$34.8 million to \$32.9 million, or 5.5%. Non-AHFC volume also fell from \$291.7 million to \$257.0 million, or 11.9%.

AHFC's overall interest rate rose as the number of 5% program loans fell off. As a result, AHFC's interest rate went from 6.84% in the third quarter to 7.15% in the fourth quarter. Although AHFC's rate increased during the quarter and non-AHFC lenders' rates fell from 7.80% to 7.69%, AHFC still maintained a rate advantage over non-AHFC lenders though not as much as previously. However, even with a better overall rate, AHFC's overall market share slipped from 13.1% to 11.8% during the fourth quarter. This drop in market share can be attributed to the decline of 5% loans, since non-5% loans would have actually shown an expansion of market share in the fourth quarter from 10.6% to 11.3% without the Program.

AHFC's urban and rural loan portfolios showed mixed direction from the previous quarter, with urban rates rising from 6.80% to 7.17% and rural decreasing from 7.09% to 7.07%. The reason was the higher proportion of 5% loans made in urban communities which precipitated an increase in interest rates as 5% program declined. Rural areas with a relatively small volume of 5% loans over the year, showed little change in interest rate. During the fourth quarter, the non-AHFC average rate edged lower from 7.80% to 7.69%, with rates ranging from a low of 7.40% to a high of 8.00%. Compared to year-ago levels, non-AHFC lenders had rates greatly under the prior year levels of 9.00%, while AHFC rates were somewhat below the 1994 year-end rate of 7.42%.

Regional comparisons of dollar loan volume indicated that AHFC single-family homes gained market share in only Ketchikan in both the previous quarter and from the prior year. Juneau was the only other area to gain share from the previous quarter. For single-family homes, statewide market share fell to 11.8% from the prior year level of 24.2%. The fall in condominium share was more dramatic, from 45.3% to 13.6% during the same time period.

## AHFC Market Share of Single-Family Residences

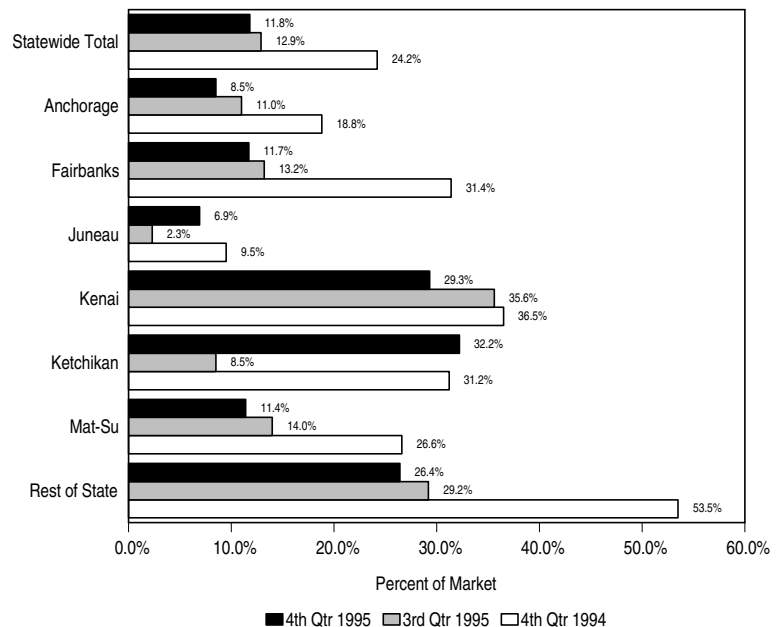
### Based on Dollar Loan Volume

Figure 2-1

4th Qtr 1995 vs Previous Quarter and Year Ago

Note: Based on survey in Alaska of 13 mortgage lenders in 1992 and 14 in 1993, 1994 and 1995.

Source: Alaska Department of Labor, Research and Analysis Section.

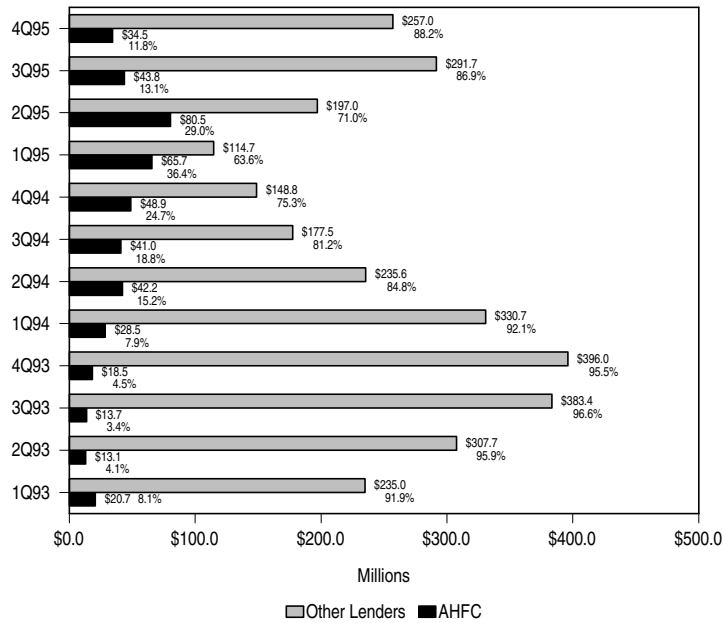


# Dollar Volume of Loans by Lender

## Single-Family and Condominiums

1st Qtr 1993 through 4th Qtr 1995

Figure 2-2



Note: Based on a survey of 13 mortgage lenders in 1992 and 14 in 1993, 1994, and 1995.

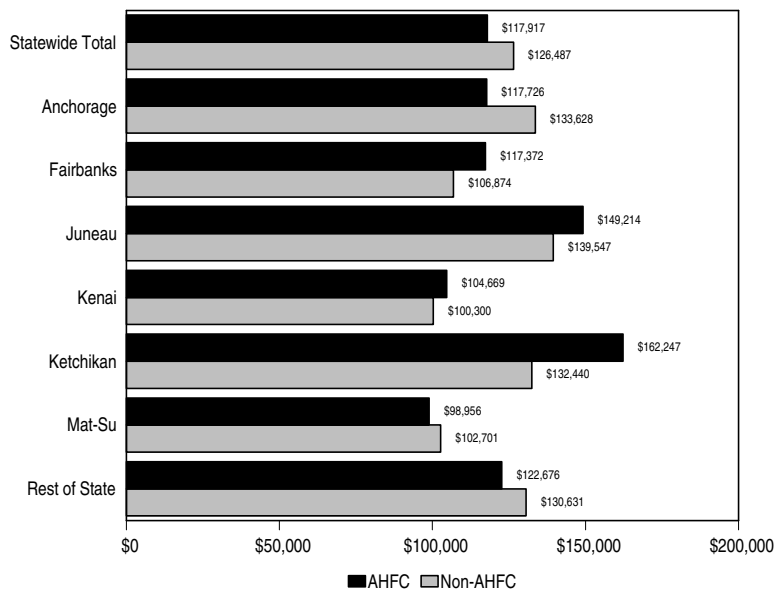
Source: Alaska Department of Labor, Research and Analysis Section.

# AHFC and Non-AHFC Average Loan Amount

## Single-Family Residences

4th Qtr 1995

Figure 2-3



Note: Based on survey in Alaska of 13 mortgage lenders in 1992 and 14 in 1993, 1994, and 1995.

Source: Alaska Housing Finance Corp.; Alaska Department of Labor, Research and Analysis Section.



## 5% Loan Program

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**D**uring the fourth quarter of 1994, low and moderate-income home buyers were provided a unique opportunity to obtain home loans with a 5% interest rate; however, loan settlements of the 5% Loan Program weren't closed until 1995. Throughout 1995, the Program generated 879 loans totaling \$89.5 million, which represented almost two-fifths (39.9%) of the total AHFC loan volume for the year. Of the Program total, single-family homes accounted for 794 loans and \$82.9 million, while condominiums had 85 loans and \$6.9 million.

Statewide, the Program financed one out of ten residential loans (9.8%) in 1995, and accounted for 8.2% of loan volume. During 1995, Single-family homes financed by the Program accounted for 9.4% of the statewide number of loans, while condominiums comprised a 16.3% share. Home buyers in urban communities received 95.6% of the Program's loan volume while rural areas accounted for 4.4%.

During the fourth quarter, activity in the 5% Program continued winding down as total loan volume fell from \$9.1 million in the third quarter to \$1.6 million, a drop of 82.2%. Single-family loans declined from 67 to 6 while condominiums went from 2 to 0. As a result, the 5% Program comprised a much lower proportion of AHFC's total portfolio. The Program had peaked in the second quarter when it accounted for two-thirds of AHFC's total loan volume, but fell to 20.7% in the third quarter and 4.7% in the fourth quarter. In terms of the statewide comparison, 5% loans only made up 0.6% of the total loan volume in the fourth quarter compared to 2.7% in the previous quarter and 19.2% in the peak second quarter.

Due to the nature of the Program with its income caps and its maximum loan ceiling of \$135,000, single-family sale prices of the Program averaged \$131,274 compared to the non-AHFC lenders' average sales price of \$152,259 during the fourth quarter.

The statewide loan-to-value (LTV) ratio was also slightly higher due to the Program's low down payment requirements. The 5% Program had an average LTV of 95.0% during 1995 which caused the statewide LTV to go from 84.1% in 1994 to 85.4% in 1995. AHFC's LTV also expanded from 85.3% to 91.6% over the same time period. Without the Program, AHFC's LTV would have increased to 89.5%. Although the Program's low down payment potentially increased the risk of default, this risk was mitigated by requiring all borrowers to purchase FHA and VA insurance or guarantees, which in turn, increased the statewide total of insured or guaranteed loans.

The Program's 5.00% interest rate continued to have an impact on AHFC's overall average rate during the fourth quarter, but to a lesser extent due to fewer loans. With the Program, AHFC's interest rate, weighted by dollar loan volume, averaged 7.15% for single-family homes, but without the Program the Corporation's rate would have been slightly higher at 7.25%. For non-AHFC lenders, the average interest rate was 7.69% for the same period.

Regionally, Anchorage captured 44.6% of the Program's single-family loans and 85.7% of the condominium loans, which was similar to the previous quarter. No region reported an increase in AHFC loan volume from the third quarter.

## Urban Volume Fell

Figures 2-4 and 2-5

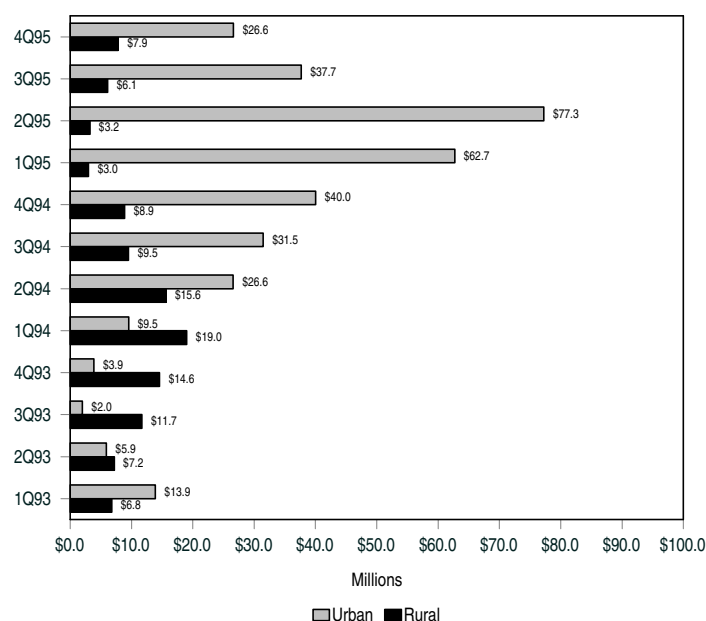
**I**n the third quarter, AHFC's urban loan activity dropped to 48.8% of the second quarter total, declining from \$77.3 to \$37.7 million, and dropping again in the fourth quarter, this time to \$26.6 million. This trend is directly attributed to the conclusion of the 5% loan program, which had fueled AHFC's market share during the first half of 1995. However, while urban loan volume returned to pre-5% program levels, rural loan volume expanded during the third and fourth quarters, closing at \$7.9 million.

## AHFC Dollar Volume of Urban and Rural Loans

### Statewide

1st Qtr 1993 through 4th Qtr 1995

Figure 2-4



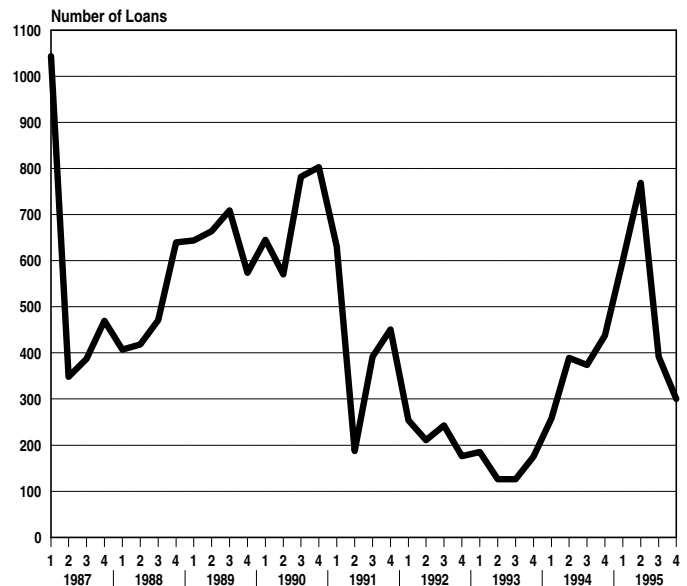
Source: Alaska Housing Finance Corp.;  
Alaska Department of Labor, Research  
and Analysis Section.

## AHFC Loans Purchased Single-Family and Condominiums, Statewide

Figure 2-5

1st Qtr 1987 - 4th Qtr 1995

Source: Alaska Housing Finance Corp.;  
Alaska Department of Labor, Research  
and Analysis Section.



## AHFC Average (Mean) Sales Prices and Loan Amounts

**D**uring 1995, the average (mean) sales price of AHFC-financed single-family homes fell 8.9%, or \$12,074, from \$135,322 in 1994 to \$123,248. As expected, the 5% loans tended to pull down the overall 1995 average. Without the Program, the average AHFC sales price would have only fallen to \$132,973 or 1.7%. Average loan amounts fell as well for single-family homes from \$115,232 in 1994 to \$112,797, or 2.1%.

With a declining proportion of 5% program loans in the third quarter, the overall average sales price of AHFC-financed single family homes rose 10.5% to 127,288. In the fourth quarter, single-family homes had an average sales price increase of 4.8% to \$133,345 from the previous quarter. This was below the non-AHFC sales price of \$152,259, which had a quarterly rise of 0.4%. Without the 5% Loan Program, AHFC would have only seen an incremental adjustment to \$133,461 since the number of 5% loans was much smaller. Year-ago comparisons indicated AHFC sales prices had a slight increase of 0.3% while non-AHFC sales prices for the fourth quarter were somewhat higher (8.8%) than prior year levels.

Regionally, Ketchikan had the highest AHFC single-family sales price at \$189,833 while Mat-Su overtook Fairbanks with the lowest average price at \$108,004. During the fourth quarter, Mat-Su was also the lowest (\$124,122) for non-AHFC lenders, with Juneau replacing Ketchikan as the highest at \$173,589.

AHFC protects itself, and its bondholders, through private mortgage insurance and FHA and VA guarantees. Total insured loans declined from 78.1% to 69.3%, while single-family insured home loans financed by the Corporation fell from 78.5% to 67.7% in the fourth quarter due to a lower number of 5% loans. Single-family insured loans decreased from 89.1% to 81.4% for urban homes but increased slightly for rural homes from 13.7% to 19.4%. The comparable figure for condominiums climbed from 73.3% to 94.4%.

## Median Sales Prices for Single-Family Homes & Condominiums

Figure 2-6 to 2-8

**C**ompared to 1994, the median sales price fell for both single-family homes with and without garage during 1995. Single-family homes with garage declined from \$138,800 in 1994 to \$124,600, a drop of \$14,200 or 10.2%. The actual structure cost was most responsible for the overall decline, as land costs actually increased by 2.7% from \$29,400 to \$30,200. The price of the house structure fell 13.6% from \$109,300 to \$94,400, was due directly to a decrease in the home size. Home square footage posted a corresponding drop of 13.7% from 1,717 square feet to 1,482. The 5% Loan Program was probably most responsible for the shrinkage as home buyers sought smaller homes which would qualify under the Program's ceiling requirements. During the fourth quarter, the median sales price for single-family homes with garage increased 12.6% from \$124,000 to \$139,600 as fewer 5% loans impacted the overall total for the quarter.

Single-family homes without garage also reported a lower median sales price for 1995 compared to 1994. Prices fell from \$108,100 in 1994 to \$90,800, a drop of \$17,300 or 16.0%. Similar to homes with garage, structure costs decreased (21.6%) but land costs increased (4.3%). As expected, the size of homes without garage dropped from 1,282 square feet in 1994 to 1,134 in 1995, a fall of 11.5%. Again, the 5% Program was the most likely contributor to the decline. During the fourth quarter, homes with garage mirrored those without garage as there were fewer 5% loans to influence the quarterly results. Consequently, prices rose 1.1% to \$96,000 from \$95,000 in the previous quarter.

## Median Purchase Price of Home, Structure and Land

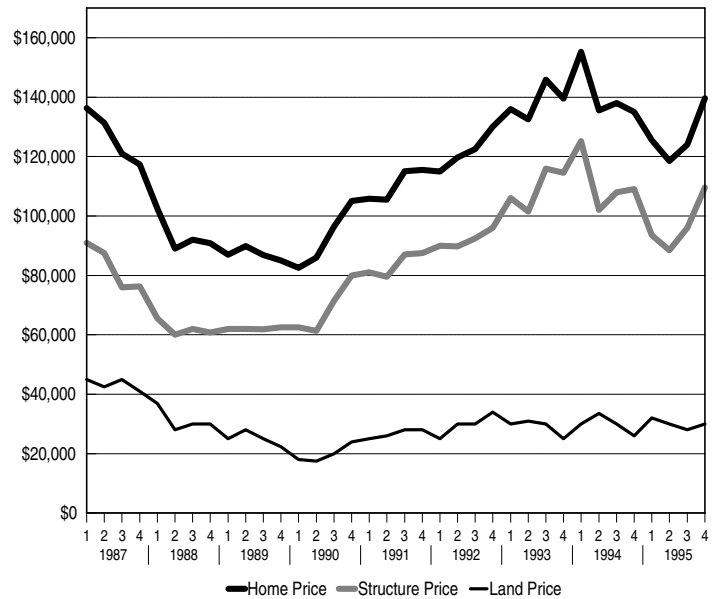
### AHFC Single-Family Residences with Garage, Statewide

Figure 2-6

1st Qtr 1987 - 4th Qtr 1995

Note: Reflects total AHFC urban and rural loans beginning 3rd Qtr 1992. Prior to 3rd Qtr 1992 only urban loans shown.

Source: Alaska Housing Finance Corp., Alaska Department of Labor, Research and Analysis Section.



## Median Purchase Price of Home, Structure and Land

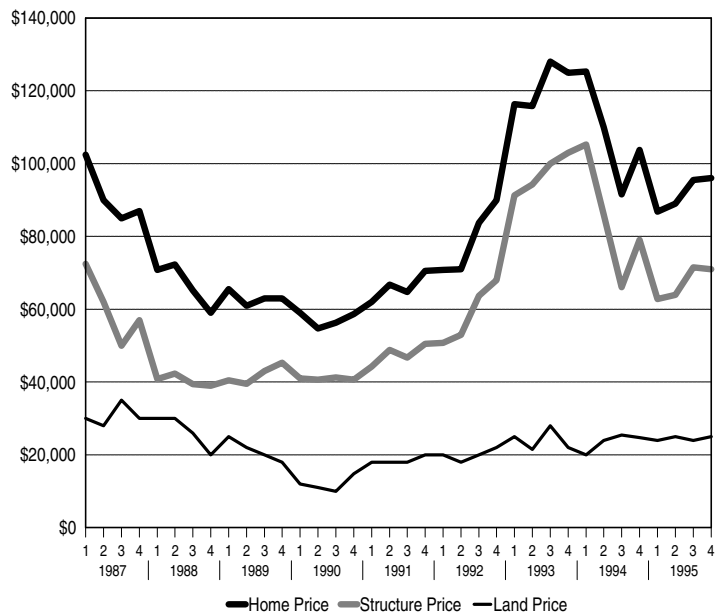
### AHFC Single-Family Residences without Garage, Statewide

Figure 2-7

1st Qtr 1987 - 4th Qtr 1995

Note: Reflects total AHFC urban and rural loans beginning 3rd Qtr 1992. Prior to 3rd Qtr 1992 only urban loans shown.

Source: Alaska Housing Finance Corp., Alaska Department of Labor, Research and Analysis Section.

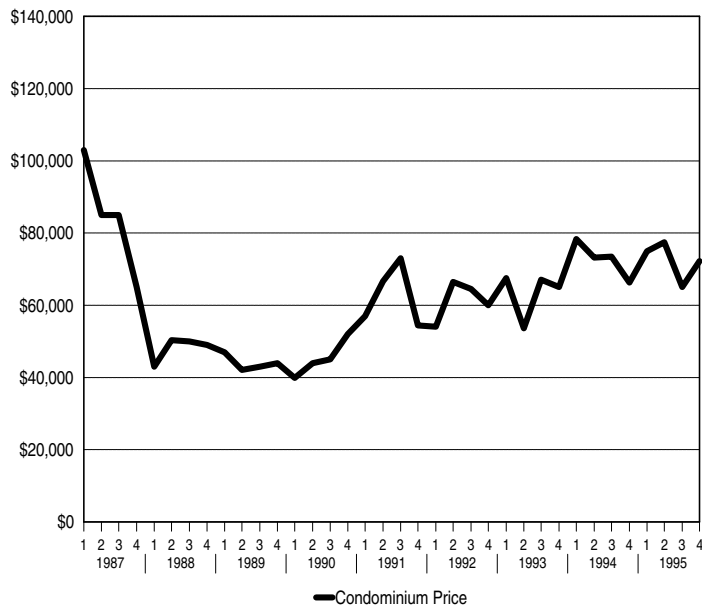


# Median Purchase Price of Condominiums

## AHFC Condominiums, Statewide

1st Qtr 1987 - 4th Qtr 1995

Figure 2-8



Source: Alaska Housing Finance Corp.,  
Alaska Department of Labor, Research  
and Analysis Section.

By contrast, median sales prices of condominiums increased 2.3%, from \$72,500 in 1994 to \$74,200 in 1995. Apparently, the demand generated by the 5% Loan Program offset the shrinkage in the average size of condominiums purchased during 1995. The average size of condominiums purchased decreased from 1,059 square feet in 1994 to 1,022 square feet in 1995. This was similar to the national average for a multi-family unit which declined from 1,095 square feet in 1994 to 1,025 in 1995. During the fourth quarter, prices jumped to \$72,200 which was 11.1% from the previous quarter and 8.9% from the prior year quarter.

## AHFC Foreclosures, Disposals and REO Inventory

Figures 2-9 to 2-11



AHFC foreclosures, disposals, and REO inventory all declined during 1995. Foreclosures dropped 18.8% from 117 in 1994 to 95 in 1995, while disposals declined from 159 in 1994 to 105 in 1995, or 34.0%. During the fourth quarter, foreclosures continued the downward trend falling from 26 in the previous quarter to 15. Disposals also posted a decline to 21 from 28 in the previous quarter. When compared to the prior year quarter, both foreclosures and disposals were down 51.6% and 25.0%, respectively.

AHFC's real estate owned (REO) inventory of all property types fell from the prior year level. The December 1995 inventory of 53 properties was below the 63 posted in December 1994, and down dramatically from the 4,738 properties of five years ago. The inventory for all property types was below prior year levels, except for the slight increase in single-family homes.

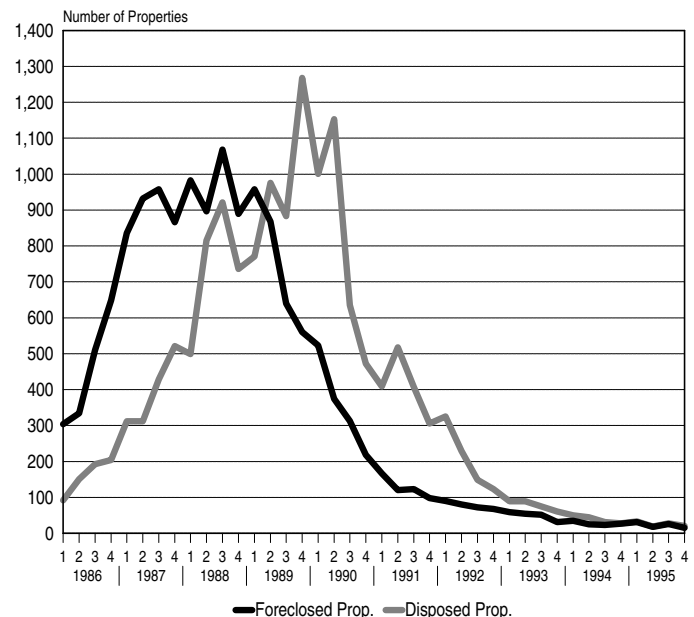
The delinquency rate for AHFC borrowers (excepting mobile homes) increased to 3.4% in December, up from November's rate of 3.2%. In December 1994, the delinquency rate was 3.5%. The delinquency rate for mobile homes rose to 9.0% in December, higher than the previous quarter's 8.5% and the prior year's 8.7%. AHFC had 30,365 active loans in December 1995.

### AHFC Foreclosures and Disposals Statewide

Figure 2-9

1st Qtr 1986 through 4th Qtr 1995

Source: Alaska Housing Finance Corporation.

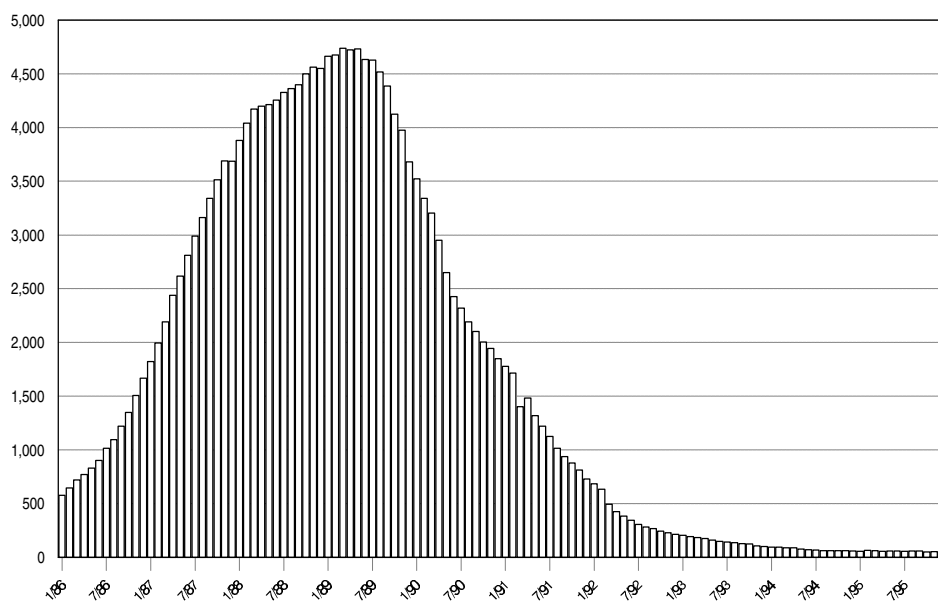


# AHFC REO Inventory

## All Property Types

1986 through 1995

Figure 2-10



Note: Inventory as of month end.

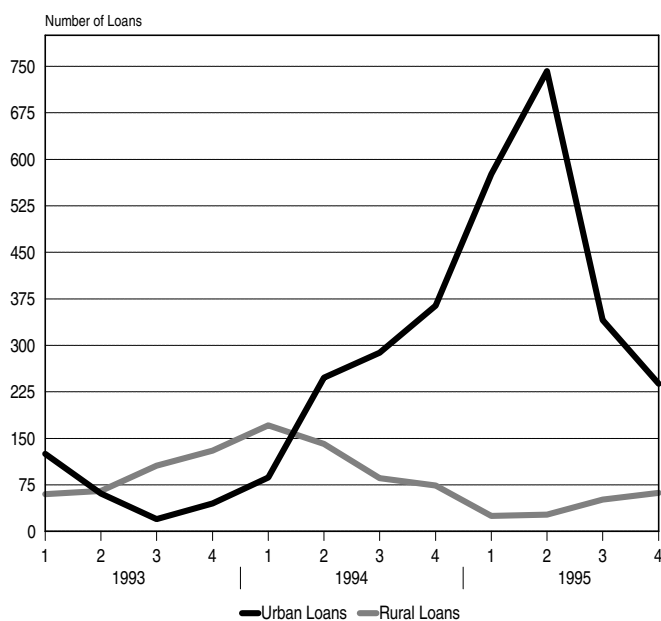
Source: Alaska Housing Finance Corporation.

# AHFC Loans Purchased

## Urban vs Rural

1st Qtr 1993 - 4th Qtr 1995

Figure 2-11



Source: Alaska Housing Finance Corp.; Alaska Department of Labor, Research and Analysis Section.



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## Section 3

# Alaska Multiple Listing Service Information

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Tables 3-1 to 3-6

**M**ultiple Listing Service (MLS) statistics augment the lender survey, indicating for selected housing markets in the state, how well homes are selling, volume of listings and closed sales, in addition to reporting home prices. MLS data includes not only homes that are financed through lenders, which show up in the lender survey results, but also owner-financed sales and cash sales. Private or owner sales, which are not consummated through the services of an MLS-member real estate broker, however, are not reported in the MLS statistics.

Seasonal strength which began in the second quarter continued to be evident in the third quarter, with most market areas posting gains over both the previous quarter and the prior year. For the year, overall Multiple Listing Service (MLS) activity during 1995 was slightly ahead of 1994 with most of the components little changed. Both single-family and condominium activity

showed higher sales numbers and volume. Single-family sales increased by 1.0% and sales volume by 0.1%, while condominium sales and volume increased by 1.8% and 10.0%, respectively. Listings were the same for condominiums but down (4.4%) for single-family homes. Average days on the market for single-family homes fell 3.9% from 104 to 100, but condominium time on the market jumped 26.8%, from 114 to 144 days. Although the time on the market increased for condominiums, average sales prices still rose 8.0%, from \$76,201 to \$82,325. Single-family average prices declined 0.8% from \$132,783 to \$131,679.

Anchorage dominated the annual MLS results, accounting for two-thirds of the overall single-family home activity and nine out of ten condominium sales. Both the number of single-family sales (4.8%) and sales volume (1.1%) were higher than the prior year for the Municipality. Condominiums also participated in the upswing, with sales gaining 2.5% and sales volume up 10.2%. Average days on the market declined (18.8%) for single-family homes, but rose (25.9%) for condominiums. Sales prices fell 3.5% for homes and edged higher (8.0%) for condominiums. Even in the traditionally slow fourth quarter, Anchorage continued to show market optimism, with single family homes selling more briskly when compared to prior year levels, and posting a slight gain in average sales price, the first such fourth quarter gain since 1991.

Other surveyed regions did not fare as well as Anchorage when compared to 1994. For single-family homes, all other areas posted declines in the annual number of sales and sales volume. Fairbanks' condominiums had a 5.2% lower sales total, but a 7.6% increase in sales volume due to average sales prices increasing from \$62,864 to \$71,337, a 13.5% gain. Further single-family weakness was noted in the average days on the market increasing for all areas: Fairbanks (5.6%), Mat-Su (9.4%), and Kenai (10.4%). Fairbanks' condominiums saw the average days on the market jump from 66 to 111 for the year, an increase of 68.2%.

# Municipality of Anchorage

## Single-Family Residential Listings and Sales

Table 3-1

1st Qtr 1990 through 4th Qtr 1995

Note: Sale/list price data for the 4th quarter of 1990 do not include information for October 1990.

Source: Anchorage Multiple Listing Service.

Qtr/Yr	Active Listings		Sales Closed			
	Number	Avg. Days on Market	Number	Volume (\$)	Avg. Price (\$)	Sale/List Price (%)
4Q1995	1,055	86	683	\$102,957,448	\$150,743	98.12
3Q1995	1,231	74	824	124,030,339	150,522	97.97
2Q1995	1,069	71	663	102,995,479	155,348	100.60
1Q1995	858	83	674	91,268,540	135,413	98.34
4Q1994	1,130	128	712	102,721,276	144,271	98.32
3Q1994	1,417	99	753	118,103,522	156,844	102.06
2Q1994	1,154	66	648	109,685,511	169,268	111.31
1Q1994	820	93	601	86,154,566	143,352	98.61
4Q1993	900	91	794	113,498,110	142,945	98.90
3Q1993	1,238	82	894	128,679,270	143,937	98.28
2Q1993	1,347	80	699	96,245,978	137,691	97.77
1Q1993	1,167	121	496	67,176,864	135,437	98.00
4Q1992	1,447	118	683	91,180,682	133,500	98.20
3Q1992	1,882	99	649	88,386,414	136,189	97.64
2Q1992	1,590	102	650	86,490,801	133,063	98.63
1Q1992	1,200	119	444	60,127,233	135,422	97.98
4Q1991	1,444	113	651	84,275,779	129,456	98.39
3Q1991	1,681	94	664	86,153,629	129,749	98.18
2Q1991	1,353	91	661	79,224,449	119,855	98.62
1Q1991	892	131	421	53,586,862	127,285	98.34
4Q1990	1,016	126	648	95,135,173	146,814	104.18
3Q1990	1,244	115	688	80,341,032	116,775	98.24
2Q1990	1,150	150	608	66,982,623	110,169	97.21
1Q1990	1,069	181	570	56,543,107	99,198	96.04

# Municipality of Anchorage

## Condominium Listings and Sales

Table 3-2

1st Qtr 1990 through 4th Qtr 1995

Source: Anchorage Multiple Listing Service.

Qtr/Yr	Active Listings		Sales Closed			
	Number	Avg. Days on Market	Number	Volume (\$)	Avg. Price (\$)	Sale/List Price (%)
4Q1995	298	161	130	\$11,245,110	\$86,501	97.70
3Q1995	362	131	150	12,507,000	83,380	97.55
2Q1995	366	144	144	11,053,698	76,762	97.62
1Q1995	341	147	151	13,135,459	86,990	98.39
4Q1994	399	126	173	13,156,701	76,050	98.44
3Q1994	388	91	133	9,772,033	73,474	98.54
2Q1994	343	112	141	11,532,233	81,789	97.30
1Q1994	243	136	114	9,061,221	79,484	97.95
4Q1993	236	132	174	13,991,850	80,413	96.73
3Q1993	350	133	169	12,909,546	76,388	97.81
2Q1993	381	120	163	11,627,154	71,332	96.90
1Q1993	363	141	76	5,148,310	67,741	96.78
4Q1992	359	151	111	9,219,052	83,055	101.72
3Q1992	458	127	111	8,151,100	73,433	96.54
2Q1992	479	111	137	11,275,610	82,304	96.82
1Q1992	321	128	81	4,899,443	60,487	96.63
4Q1991	321	117	151	9,755,924	64,609	97.25
3Q1991	328	103	134	8,159,796	60,894	97.14
2Q1991	277	116	160	10,706,226	66,914	95.52
1Q1991	176	152	128	6,785,219	53,010	99.72
4Q1990	207	175	223	12,992,230	58,261	100.43
3Q1990	250	217	291	13,471,129	46,293	101.21
2Q1990	361	296	417	15,038,842	36,064	96.57
1Q1990	595	430	427	15,146,702	35,472	94.46

# Kenai Peninsula Borough

## Single-Family Residential Listings and Sales

1st Qtr 1990 through 4th Qtr 1995

Table 3-3

Qtr/Yr	Active Listings		Sales Closed			
	Number	Number	Volume (\$)	Avg. Price (\$)	Sale/List Price (%)	Avg. Days on Market
4Q1995	280	98	\$9,784,317	\$99,840	96.12	173
3Q1995	298	99	8,547,032	86,334	96.29	149
2Q1995	276	89	9,022,900	101,381	97.29	182
1Q1995	236	47	4,777,700	101,653	95.29	198
4Q1994	255	78	6,999,688	89,740	96.08	173
3Q1994	313	98	9,570,665	97,660	96.48	144
2Q1994	305	97	9,487,241	97,807	97.10	142
1Q1994	233	91	8,398,078	92,287	96.25	177
4Q1993	230	94	8,303,894	88,339	96.77	178
3Q1993	320	121	12,141,290	100,341	97.93	153
2Q1993	317	100	8,647,725	86,477	88.40	153
1Q1993	269	77	6,460,025	83,896	96.41	179
4Q1992	240	58	4,900,345	84,489	96.95	161
3Q1992	341	93	7,754,755	83,384	96.66	134
2Q1992	324	57	4,263,800	74,804	95.15	131
1Q1992	223	54	4,271,420	79,100	95.52	161
4Q1991	236	81	6,817,227	84,163	96.97	153
3Q1991	289	98	7,989,346	81,524	97.13	128
2Q1991	252	87	6,769,896	77,815	93.66	137
1Q1991	229	53	4,279,228	80,740	100.09	148
4Q1990	215	94	7,791,134	82,884	95.80	155
3Q1990	275	109	7,906,550	72,537	95.80	146
2Q1990	265	78	5,515,450	70,711	95.49	138
1Q1990	216	64	4,123,151	64,424	94.91	185

Note: Average days on market are for sales closed and not for listings.

Source: Kenai Peninsula Board of Realtors.

# Matanuska-Susitna Borough

## Single-Family Residential Listing and Sales

1st Qtr 1990 through 4th Qtr 1995

Table 3-4

Qtr/Yr	Active Listings		Sales Closed			
	Number	Avg. Days on Market	Number	Volume (\$)	Avg. Price (\$)	Sale/List Price (%)
4Q1995	390	125	155	\$15,831,229	\$102,137	97.70
3Q1995	466	112	179	17,161,288	95,873	97.16
2Q1995	481	111	119	11,407,645	95,863	97.66
1Q1995	397	114	114	11,145,209	97,765	97.08
4Q1994	363	117	148	14,082,250	95,150	97.20
3Q1994	497	98	170	16,492,382	97,014	96.71
2Q1994	486	90	151	15,465,607	102,421	96.63
1Q1994	293	119	110	10,310,145	93,729	97.38
4Q1993	271	131	156	14,155,575	90,741	95.89
3Q1993	400	125	181	16,753,698	92,562	97.18
2Q1993	477	117	150	12,972,683	86,485	96.92
1Q1993	415	127	84	7,141,869	85,022	95.99
4Q1992	408	133	128	11,078,468	86,551	96.51
3Q1992	573	126	90	7,343,620	81,596	97.45
2Q1992	619	111	104	8,055,392	77,456	97.12
1Q1992	460	132	87	6,670,318	76,670	96.20
4Q1991	425	134	114	8,344,855	73,200	97.80
3Q1991	565	110	144	10,204,110	70,862	97.25
2Q1991	533	113	172	11,604,714	67,469	98.51
1Q1991	413	149	95	6,226,972	65,547	97.69
4Q1990	333	184	148	10,794,104	72,933	109.55
3Q1990	429	161	185	11,741,817	63,469	97.70
2Q1990	478	210	189	10,319,055	54,598	97.83
1Q1990	440	281	191	10,057,007	52,654	97.29

Note: Matanuska-Susitna includes condominiums in quarterly residential sales data. These sales account for a very small proportion of overall activity. In 1990, there were 14 condominium sales; and in 1991, there was one condominium sale. Such small numbers do not have significant impact on dollar volume and average prices in this table.

Source: Valley Board of Realtors Multiple Listing Service.

# Fairbanks North Star Borough

## Single-Family Residential Listings and Sales

Table 3-5

1st Qtr 1990 through 4th Qtr 1995

Note: Data are for the 90 days ending on a reporting date close to the end of the quarter. In contrast to other tables of MLS data, the tables for Fairbanks show the number of days on the market for closed sales rather than listing. Sales and Listing activity reported in previous issues may be revised to include data received after the previous issue publication.

Source: Greater Fairbanks Board of Realtors Multiple Listing Service.

Qtr/Yr	Active Listings		Sales Closed			
	Number	Number	Volume (\$)	Avg. Price (\$)	Sale/List Price (%)	Avg. Days on Market
4Q1995	183	153	15,733,821	102,835	93.27	89
3Q1995	253	201	21,760,251	108,259	96.99	64
2Q1995	208	175	19,147,942	107,572	95.51	63
1Q1995	143	138	15,263,504	110,605	97.29	85
4Q1994	318	186	18,285,120	98,307	95.56	79
3Q1994	275	221	22,694,773	102,691	96.66	61
2Q1994	222	166	17,589,109	105,958	98.12	61
1Q1994	101	139	14,087,103	101,346	97.95	84
4Q1993	160	231	24,708,625	106,963	97.21	72
3Q1993	234	233	24,169,070	103,729	97.80	67
2Q1993	247	149	14,424,312	96,807	97.73	99
1Q1993	175	92	8,617,602	93,669	96.14	128
4Q1992	208	241	22,701,437	94,196	97.56	85
3Q1992	298	247	23,010,541	93,160	97.69	96
2Q1992	255	168	12,972,210	77,215	97.20	132
1Q1992	182	160	11,730,685	73,316	97.12	135
4Q1991	293	185	14,701,722	79,469	97.66	95
3Q1991	382	218	18,032,493	82,718	95.28	70
2Q1991	319	201	15,994,526	79,575	97.04	82
1Q1991	197	132	11,105,524	84,133	97.13	90
4Q1990	N/A	151	12,326,389	81,632	95.00	81
3Q1990	N/A	166	13,704,641	82,558	96.00	86
2Q1990	N/A	149	11,120,632	74,635	96.00	98
1Q1990	N/A	134	9,976,022	74,448	92.00	117

# Fairbanks North Star Borough

## Condominiums and Townhouse Listings and Sales

Table 3-6

1st Qtr 1990 through 4th Qtr 1995

Note: Data are for the 90 days ending on a reporting date close to the end of the quarter. In contrast to other tables of MLS data, the tables for Fairbanks show the number of days on the market for closed sales rather than listing. Sales and Listing activity reported in previous issues may be revised to include data received after the previous issue publication.

Source: Greater Fairbanks Board of Realtors Multiple Listing Service.

Qtr/Yr	Active Listings		Sales Closed			
	Number	Number	Volume (\$)	Avg. Price (\$)	Sale/List Price (%)	Avg. Days on Market
4Q1995	7	14	930,500	66,464	97.02	158
3Q1995	19	14	1,092,100	78,007	97.99	137
2Q1995	22	18	1,217,700	67,650	96.41	63
1Q1995	20	9	683,250	75,916	95.86	84
4Q1994	22	11	742,700	67,518	99.45	45
3Q1994	16	15	1,034,500	68,966	96.72	61
2Q1994	16	16	959,000	59,937	98.08	91
1Q1994	8	16	909,900	56,868	97.30	68
4Q1993	12	13	713,000	54,846	96.19	118
3Q1993	19	13	998,350	76,796	97.48	68
2Q1993	21	13	837,490	64,422	97.27	113
1Q1993	11	7	407,500	58,214	97.48	69
4Q1992	13	17	1,104,875	64,992	91.96	78
3Q1992	18	22	1,138,250	51,738	96.81	155
2Q1992	20	12	520,400	43,366	94.61	179
1Q1992	16	18	978,900	54,383	133.16	183
4Q1991	23	11	604,756	54,978	97.50	107
3Q1991	27	19	1,042,000	54,842	97.65	51
2Q1991	22	10	578,100	57,810	97.48	103
1Q1991	9	14	754,000	53,857	97.54	137
4Q1990	N/A	12	632,750	52,729	100.00	166
3Q1990	N/A	16	621,900	38,869	98.00	150
2Q1990	N/A	30	1,171,856	39,062	97.00	117
1Q1990	N/A	20	786,277	39,314	98.00	110



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## Section 4

# New Alaska Housing Units

### 1995 Building Activity Exceeds 1994

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Table 4-1

**B**uilding activity across the State of Alaska showed strength in 1995, in contrast to national trends, which showed a 7.5% decline in housing starts during the year. Statewide, building permits issued in 1995 exceeded 1994 levels by 14.9%, based on local government survey responses, with 3,170 units authorized in 1995 compared to 2,758 in the prior year. The state's three major urban areas all participated in the expansion: Anchorage (16.4%), Fairbanks (16.6%), and Juneau (14.8%). Other areas reporting annual gains were Nome (126.3%), Ketchikan (103.8%), Wrangell-Petersburg (65.2%), Wade Hampton (64.5%), Mat-Su (57.7%), Sitka (17.5%), and Kenai (12.5%). Northern regions showed decreased permitting in Yukon-Koyukuk (-100.0%), Northwest Arctic (-81.6%), and North Slope (-39.3%). Other areas posting significant declines were Prince of Wales-Outer Ketchikan (-68.5%), Valdez-Cordova (-60.3%), Bethel (-24.8%), and Haines (-17.2%). Incremental changes in activity are amplified in smaller market areas by the relatively small number of units involved.

# New Housing Units by Type of Structure

For Places Reporting Data, Comparison with 1994 Permit Data

4th Qtr 1995 vs 4th Qtr 1994 and Year-to-Date

Table 4-1

Place	Total New Units				Single Family				Multi-Family				Mobile Home			
	4Qtr 95	4Qtr 94	YTD 95	YTD 94	4Qtr 95	4Qtr 94	YTD 95	YTD 94	4Qtr 95	4Qtr 94	YTD 95	YTD 94	4Qtr 95	4Qtr 94	YTD 95	YTD 94
<b>Aleutians East Borough</b>																
Akutan	0	0	7	0	0	0	7	0	0	0	0	0	0	0	0	0
Cold Bay	0	0	3	0	0	0	3	0	0	0	0	0	0	0	0	0
King Cove	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sand Point	0	0	0	10	0	0	0	10	0	0	0	0	0	0	0	0
<b>Aleutians West Census Area</b>																
Atka	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
St. George	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
St. Paul	0	0	20	8	0	0	20	0	0	0	0	8	0	0	0	0
Unalaska	1	7	8	20	1	1	4	6	0	0	4	8	0	6	0	6
<b>Anchorage, Municipality of</b>																
Anchorage	169	123	1,053	905	125	84	802	718	8	2	134	25	36	37	117	162
<b>Bethel Census Area</b>																
Akiachak	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Aniak	0	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0
Bethel	40	14	79	102	40	7	67	87	0	7	12	15	0	0	0	0
Chuathbaluk	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Eek	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Goodnews Bay	0	0	0	2	0	0	0	2	0	0	0	0	0	0	0	0
Kwethluk	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Lower Kalskag	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Napaskiak	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Nunapitchuk	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Platinum	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Quinhagak	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Bristol Bay Borough</b>																
Bristol Bay	1	1	7	8	1	1	2	8	0	0	4	0	0	0	1	0
<b>Dillingham Census Area</b>																
Clark's Point	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0	0
Dillingham	3	0	9	0	0	0	6	0	3	0	3	0	0	0	0	0
Ekwok	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Manokotak	1	0	1	0	1	0	1	0	0	0	0	0	0	0	0	0
Togiak	0	5	4	5	0	5	4	5	0	0	0	0	0	0	0	0
<b>Fairbanks North Star Borough</b>																
North Pole	0	0	6	8	0	0	6	6	0	0	0	0	0	0	0	2
Balance of Borough	3	4	205	173	3	4	124	86	0	0	81	87	0	0	0	0
<b>Haines Borough</b>																
Balance of Borough	0	0	16	21	0	0	16	21	0	0	0	0	0	0	0	0
Haines City	2	0	8	8	0	0	5	8	0	0	0	0	2	0	3	0
<b>Juneau Borough</b>																
Juneau	62	88	294	256	32	30	182	105	18	40	70	119	12	18	42	32
<b>Kenai Peninsula Borough</b>																
Homer	3	4	31	30	3	4	31	30	0	0	0	0	0	0	0	0
Kenai	2	7	41	43	2	7	37	41	0	0	4	2	0	0	0	0
Seward	1	0	2	3	1	0	2	3	0	0	0	0	0	0	0	0
Seldovia	0	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0
Soldotna	0	0	43	27	0	0	41	23	0	0	2	4	0	0	0	0
<b>Ketchikan Gateway Borough</b>																
Ketchikan City	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Balance of Borough	42	5	106	52	13	3	67	40	29	2	39	12	0	0	0	0
<b>Kodiak Island Borough</b>																
Akhiok	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Kodiak City	7	5	33	36	3	5	21	32	4	0	12	4	0	0	0	0
Old Harbor	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Port Lions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Matanuska-Susitna Borough</b>																
Balance of Borough	0	0	709	433	0	0	681	426	0	0	14	0	0	0	14	7
Palmer	24	11	45	74	24	11	45	50	0	0	0	24	0	0	0	0
Wasilla	11	9	74	18	11	9	72	18	0	0	0	0	0	0	2	0
<b>Nome Census Area</b>																
Diomedes	0	1	0	1	0	1	0	1	0	0	0	0	0	0	0	0
Koyuk	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Nome	3	4	19	17	3	1	13	14	0	3	6	3	0	0	0	0
Savoonga	0	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0
Shaktolik	23	0	23	0	23	0	23	0	0	0	0	0	0	0	0	0
Shismaref	1	0	1	0	1	0	1	0	0	0	0	0	0	0	0	0
Unalakleet	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Note: N/A=Data not available. Mat-Su reported 709 housing units authorized in 1995, 433 housing units authorized in 1994, 221 housing units authorized during 1993, 254 housing units authorized during 1992 and 176 housing units in 1991. Since Mat-Su only reported data annually, quarterly tabulation of the permit is not provided.

Source: Alaska Department of Labor, Research and Analysis Building Permit Survey; Fairbanks Community Research Center; Municipality of Anchorage.



# New Housing Units by Type of Structure -cont.

For Places Reporting Data, Comparison with 1994 Permit Data  
4th Qtr 1995 vs 4th Qtr 1994 and Year-to-Date

Table 4-1 cont.

Place	Total New Units				Single Family				Multi-Family				Mobile Home			
	4Qtr 95	4Qtr 94	YTD 95	YTD 94	4Qtr 95	4Qtr 94	YTD 95	YTD 94	4Qtr 95	4Qtr 94	YTD 95	YTD 94	4Qtr 95	4Qtr 94	YTD 95	YTD 94
<b>North Slope Borough</b>																
Atkasuk	0	0	0	5	0	0	0	5	0	0	0	0	0	0	0	0
Barrow	11	11	82	78	8	11	70	74	3	0	12	4	0	0	0	0
Kaktovik	0	0	0	7	0	0	0	7	0	0	0	0	0	0	0	0
Nuiqsut	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Point Hope	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Wainwright	0	45	0	45	0	45	0	45	0	0	0	0	0	0	0	0
<b>Northwest Arctic Borough</b>																
Ambler	1	0	2	0	1	0	2	0	0	0	0	0	0	0	0	0
Buckland	0	14	0	14	0	14	0	14	0	0	0	0	0	0	0	0
Deering	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Kiana	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Kivalina	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Kobuk	0	0	0	2	0	0	0	0	0	0	0	2	0	0	0	0
Kotzebue	0	0	6	32	0	0	6	32	0	0	0	0	0	0	0	0
Noorvik	0	1	0	1	0	1	0	1	0	0	0	0	0	0	0	0
Selawik	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0	0
Shungnak	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Prince of Wales-Outer Ketchikan</b>																
Craig	0	1	10	33	0	1	0	14	0	0	4	10	0	0	6	9
Hydaburg	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Kasaan	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Klawock	0	2	4	14	0	1	4	4	0	0	0	6	0	1	0	4
Thorne Bay	0	1	3	7	0	1	3	5	0	0	0	2	0	0	0	0
<b>Sitka Borough</b>																
City & Borough of Sitka	26	36	74	63	26	12	56	35	0	24	17	28	0	0	1	0
<b>Skagway-Yakutat-Angoon Census Area</b>																
Angoon	0	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0
Hoonah	0	4	11	4	0	0	8	0	0	0	0	0	0	4	3	4
Pelican	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Skagway	4	2	11	11	3	1	8	3	0	0	2	4	1	1	1	4
Yakutat	1	0	2	8	1	0	2	8	0	0	0	0	0	0	0	0
<b>Southeast Fairbanks C.A.</b>																
	0	0	0	7	0	0	0	7	0	0	0	0	0	0	0	0
<b>Valdez-Cordova Census Area</b>																
Cordova	1	3	2	3	1	3	2	3	0	0	0	0	0	0	0	0
Valdez	2	6	21	55	1	0	18	16	0	0	0	0	1	6	3	39
Whittier	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Wade Hampton Census Area</b>																
Alakanuk	0	0	21	4	0	0	21	2	0	0	0	2	0	0	0	0
Emmonak	0	2	0	27	0	2	0	27	0	0	0	0	0	0	0	0
Hooper Bay	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Kotlik	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Pilot Station	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Russian Mission	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sheldon Point	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
St. Mary's	0	0	30	0	0	0	28	0	0	0	2	0	0	0	0	0
<b>Wrangell-Petersburg Census Area</b>																
Kake	0	0	2	2	0	0	0	1	0	0	0	0	0	0	2	1
Kupreanof	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Petersburg	7	3	25	17	3	3	14	15	4	0	10	2	0	0	1	0
Port Alexander	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Wrangell	0	0	11	4	0	0	11	4	0	0	0	0	0	0	0	0
<b>Yukon-Koyukuk Census Area</b>																
Allakaket	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Anderson	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Anvik	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bettles	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Fort Yukon	0	0	0	4	0	0	0	4	0	0	0	0	0	0	0	0
Galena	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hughes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Huslia	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Koyukuk	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
McGrath	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Nenana	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Nikolai	0	0	0	45	0	0	0	21	0	0	0	24	0	0	0	0
Nulato	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ruby	0	1	0	2	0	1	0	2	0	0	0	0	0	0	0	0
Shageluk	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Tanana	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Reported</b>	<b>452</b>	<b>420</b>	<b>3,170</b>	<b>2,758</b>	<b>331</b>	<b>269</b>	<b>2,542</b>	<b>2,093</b>	<b>69</b>	<b>78</b>	<b>432</b>	<b>395</b>	<b>52</b>	<b>73</b>	<b>196</b>	<b>270</b>

Permitting increased in 1995 for all types of structures, except mobile homes. Single-family homes, comprising four-fifths of total permits, rose from 2,093 in 1994 to 2,542, an increase of 21.5%. Multi-family units rose 9.4% with 432 permits, while mobile home issuances dropped 27.4% to 196. Single-family homes represented 80.2% of total permits compared to 75.9% in the prior year. Multi-family share slipped from 14.3% to 13.6%, while mobile homes declined from 9.8% to 6.2% over the year.

Permit issuance during the fourth quarter was 7.6% higher than at the same time last year, which saw permitting fall by 41.3%. During the fourth quarter of 1995, single-family permits rose 23.0% compared to the fourth quarter of 1994, while both multi-family and mobile homes fell 11.5% and 28.8%, respectively. Compared to the third quarter, issuances declined by 47.1% from 855 to 452. All types of permits fell: single-family (42.6%), multi-family (68.2%), and mobile homes (14.8%). Similar to 1994, total permits declined throughout the fourth quarter with monthly issuances falling from 276 to 105 to 71 due to the normal seasonal slowdown in construction.

Total statewide permit issuance in 1995 was the strongest in the past ten years. The prospect for 1996 appears little changed, with regional pockets of strength and weakness owing to the relatively small volume of activity in those markets. Builders still face the prospects of an uncertain interest rate environment, impacts from reductions in military/oil industry personnel, and declines in state-and-local government employment. Based on the current economic picture, the overall building outlook for the upcoming year appears to be flat.

## Regional Permit Activity Mixed

Figures 4-1 to 4-4

**H**istorically, Anchorage has dominated statewide permitting activity, however, growth in other market areas has eroded Anchorage's share of new units authorized steadily over the past three years. In 1995, Anchorage accounted for approximately one-third (33.2%) of all permits issued statewide, which was similar to that market's 32.8% share in 1994, but down significantly from the 1993 level of 52.1%. During 1993, urban permits (Anchorage, Fairbanks, and Juneau) garnered 62.8% of statewide issuances, while the Balance of State had a 37.2% share. This reversed in 1994 with the Balance of State capturing over half (51.3%) the permits, and repeated in 1995 with a 50.8% share. More than half of the 1995 Balance of State share can be attributed to the Matanuska-Susitna Borough, where availability of land for development has fueled an expanding homebuilding industry. By contrast, most of the state's other rural regions posted declining levels of activity.

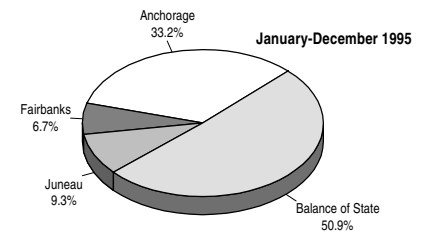
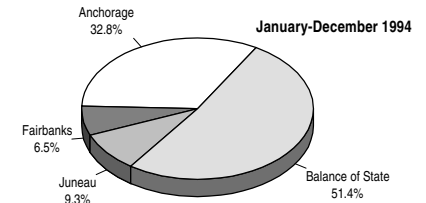
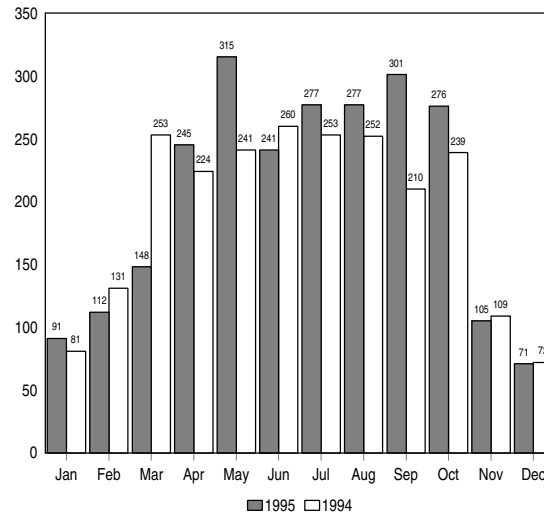
# New Housing Units by Location

## Alaska

Figure 4-1

January-December 1994 & January-December 1995

Note: Includes mobile homes.  
Source: Alaska Department of Labor,  
Research and Analysis Section.



# Permits for New Housing Units

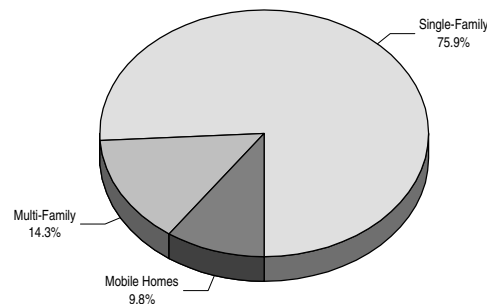
## Alaska

Figure 4-2

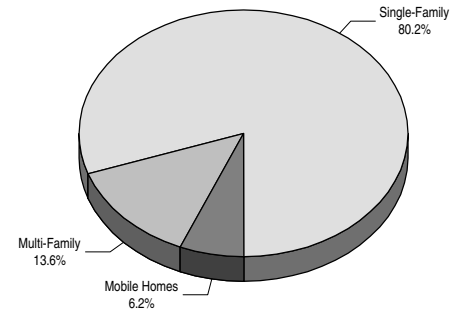
January-December 1994 & January-December 1995

Note: Includes some units in areas  
which do not require permits.  
Source: Alaska Department of Labor,  
Research and Analysis Section.

January-December 1994



January-December 1995

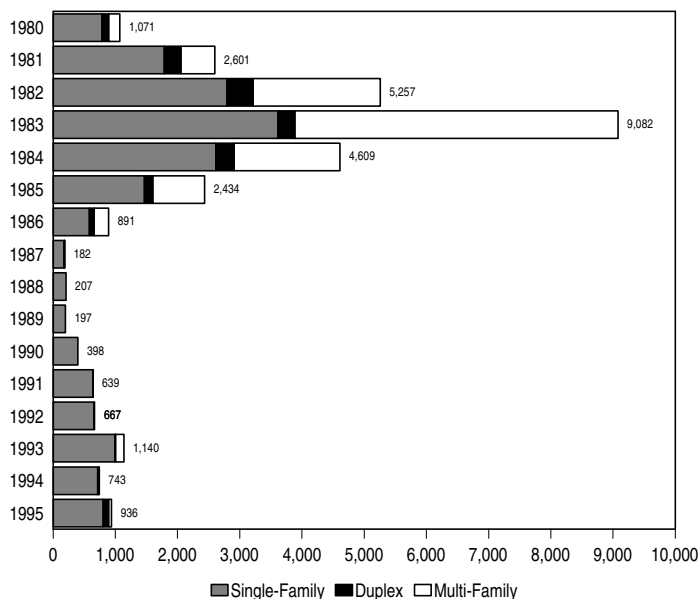


# New Housing Units Authorized

## Anchorage

January 1980 to December 1995

Figure 4-3



Note: Excludes mobile homes

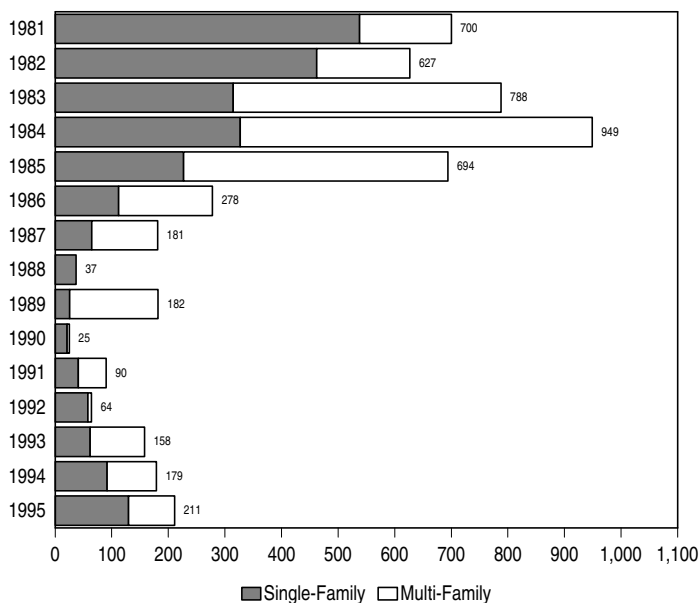
Source: Alaska Department of Labor, Research and Analysis Section, Municipality of Anchorage Public Works.

# New Housing Units Authorized

## Fairbanks North Star Borough

January 1981 to December 1995

Figure 4-4



Note: Excludes mobile homes

Source: Alaska Department of Labor, Research and Analysis Section; Fairbanks Community Research Center.

The fourth quarter mirrored Anchorage's annual trend with total permits stronger by 37.4% compared to the prior year; however, issuances were down 57.4% from the previous quarter with all permit types lower. Single-family and multi-family permits rose in 1995, but mobile home permits declined. Issuances for single-family homes rose 11.7% from 718 to 802, and multi-family permits grew dramatically from 25 to 134, a 436.0 % gain. Both single- and multi-family permits had fallen in 1994, 27.8% and 82.8%, respectively.

Although Fairbanks reported permits increasing by 16.6% during 1995, its statewide share has remained virtually unchanged the past three years. During 1995, Fairbanks' share was 6.7%, which was little changed from the 6.6% of the two prior years. The overall increase in permits from 181 to 211 can be wholly attributed to single-family homes which rose from 92 to 130, a gain of 41.3%. Multi-family permits fell by 6.9% while mobile home permits declined from 2 to zero during 1995.

Historically, Fairbanks has little permit activity during the fourth quarter due to weather/building constrictions, and 1995 was no exception with only three single-family permits compared to four the prior year. There were no fourth quarter permits issued for multi-family or mobile homes in either 1994 or 1995. Permit activity in the fourth quarter represented only a fraction (3.7%) of the previous quarter's total issuances of 82, which was comprised of 45 single-family and 37 multi-family permits.

Like Fairbanks, Juneau also had an increase (14.8%) in permitting during 1995 but still maintained the same overall share (9.3%) as the previous year. Single-family permits were especially strong with a gain of 73.3%; however, this was offset by multi-family which fell 41.2% in 1995. Mat-Su's 57.7% increase in permits from 525 to 828 during 1995 resulted in its statewide share expanding from 19.0% to 26.1%. Mat-Su's gains offset the declines in the other Balance of State regions. Statewide, three out of five boroughs and census areas experienced lower market share, with most of those being rural areas.



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## Section 5

# Factors Affecting Housing Demand and Supply

### Alaska's Economy in 1995

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**A**

lthough Alaska's economy grew for the eighth straight year, 1995 saw less than half of the growth experienced in 1993 and 1994. Wage and salary jobs grew only 1.1% from 259,300 to 262,100 in 1995, compared to 2.3% in 1993 and 2.5% in 1994. This was the smallest job gain posted in the past five years. Recently, Alaska had added approximately 5,000 jobs per year. Compared to 1994, industry sectors which declined and contributed to the slowdown were mining/oil (7.5%), timber (4.3%), government (1.4%), and transportation (1.3%). These were offset by gains in construction (4.9%), services (4.7%), retail trade (2.8%), and manufacturing (1.8%). Both the construction and service sectors have continued their expansion of the past three years.

Regionally, growth varied with both the Gulf Coast and Southeast reporting the highest gains (2.3%) from 1994. The Interior (2.1%) also reported a gain in employment, as did Anchorage/Mat-Su (0.8%). The Northern region was the weakest with jobs falling by 1.9%, while the Southwest's employment was similar to 1994, only off by 0.3%.

Job growth remains one of the most powerful and essential engines of housing demand. Robust home ownership is critical to the economy's health. Nationally, housing activity, ranging from residential construction to expenditures on furniture and appliances, totals 15% of the gross domestic product. The impact of home purchases on economic activity is greater than any other purchase. According to DRI/McGraw-Hill, every one dollar spent on housing increases the economy by \$1.40. Home ownership rates on a national level have climbed the past eight quarters. The home ownership rate shot up in the last quarter of 1995, to 65.1% which was the highest level since the rate reached 65.2% in the fourth quarter of 1981.

## Outlook for 1996

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**A**laska's economic outlook for 1996 will vary depending upon specific industry sectors. Overall job growth during the first half of the 1990s was principally due to dramatic job creation in trade and services, not because Alaska's basic industries were expanding. Mining, oil, fishing, timber, and government have all faced downturns and slow growth.

Although oil and gas exploration and development may not be as strong as in prior years, the industry will continue to be one of the primary engines of Alaska's economy in 1996. Major petroleum companies have recently announced strong capital investments in various projects over the next few years. Although BP Exploration stated that North Slope production has declined about four percent during 1995, to a daily average of 1.52 million barrels, and Prudhoe Bay has already declined forty percent since its production peak, drilling has increased with eleven rigs on development drilling at year-end compared to seven at the same time last year. BP Exploration's capital investments in Alaska will total \$500 million in 1996 and \$1.5 billion over the next three years. Enhanced recovery methods could potentially produce 5 billion barrels of new recoverable reserves added on the North Slope in the next ten years according to the company. In addition, ARCO will spend \$1.1 billion in capital expenditures in Alaska over the next five years, including \$600 million on existing fields and further development drilling at Prudhoe Bay, Kuparuk and Point McIntyre. Unocal Corporation has further stated that it will spend \$45 million on Alaska projects in 1996, \$30 million for Cook Inlet projects and \$15 million in North Slope activities.



If current federal funding levels are sustained, the state will benefit from increased road construction over the next 14 years. Funding levels for future federal transportation plans are projected at \$1.72 billion or approximately \$220 million per year, and would be used on surface and marine transportation projects. These projects would encompass highways, community roads, roadside enhancements and trails, and ferry system.

Federal projects will be strong this construction season with nearly \$170 million funded for commercial, civil, and FAA construction and environmental cleanup. Projects include military construction, dredging and port projects and large housing projects at King Salmon and Cold Bay. Most of the funding will be concentrated in the Anchorage area with work on the Elmendorf Composite Medical Facility. The \$124 million facility will employ 375 workers this summer with completion probably in early 1998. The U.S. Corps of Engineers will employ 1,250 people this year with about 700 in Anchorage, 250 around Fairbanks, and 300 in the rest of the state.

The outlook for federally-supported housing development in the next few years is not as optimistic. Recent Congressional moves to curtail certain housing programs and to alter appropriation levels for others are likely to have significant impacts in Alaska, particularly in rural communities, where much of the newer housing stock is the result of federally-funded activity, delivered locally through Regional Housing Authorities.

Tourism continues to shine with visitor numbers up an estimated six percent in 1995 despite the loss of several scheduled cruise ship sailings. The Alaska Division of Tourism reported that 975,000 visitors spent about \$700 million in the state and employed about 24,000 people during the past year.

Increased mineral activity has been bolstered by the new state mineral exploration tax incentive which provides 100% credit for all eligible exploration expenses against the mining license tax, corporate tax or royalties with no more than 50% taken in one year and a total cap of \$20 million.

Mining produced significant gains in 1995 with gross value (exploration and development costs), increasing from \$722 million in 1995 from an estimated \$583 million in 1994 with the bulk of that gain attributed to the Red Dog Mine and Usibelli Coal Mine which produced a record 1.64 million tons of coal. The Red Dog Mine, the largest lead-zinc mine in the world, will expand production and port facilities at a cost of \$150 million to \$175 million. This will allow for a planned 30 percent increase in production based on the recent discovery which doubled known reserves.

AMAX Gold company reported that it will spend up to \$75 million more than expected to develop the Fort Knox gold mine near Fairbanks, originally

budgeted at \$256 million. The mine was expected to open in late 1996 and will produce 350,000 ounces of gold annually at full production.

Greens Creek Mine, a subsidiary of Kennecott Minerals, near Juneau will reopen this summer with 250 workers projected by year-end. The mine has recently developed access to a higher grade ore body, with gold grades 70% higher and silver 30% greater. Greens Creek was projected to produce 10 million ounces of silver annually, up from 6 million previously; and 50,000 ounces of gold, up from 24,000 ounces. With the new reserves, the mine life was expected at 17 years.

Key permits could be issued for Echo Bay's AJ Mine early in 1997 if regulatory hurdles can be cleared, with the final EIS planned in December. Echo Bay is anticipating an investment of \$350 million if the project goes forward. Coeur Alaska is also working on reopening its Kensington Mine, on Berner's Bay north of Juneau at a projected cost of \$185 million. Coupled with the \$80 million dollar investment by Kennecott in Greens Creek, mining companies are projected to spend a total of \$615 million in the Juneau area.

Problems face both the fishing and timber industries at the beginning of 1996. Fishing was hampered by poor market conditions due to an inventory glut of salmon. Alaska's wild caught salmon industry has lost considerable market share to fish farmers in Canada, Chile, and Norway. Currently, there is approximately a two-year supply of canned pink salmon. This unhealthy inventory overhanging the beginning of the fishing season could mean poor prices for lower-valued species such as pinks and chum, with some processors indicating they may not even buy pinks. In contrast, halibut supplies were low which could translate into higher prices. Southeast communities have been impacted by the suit filed by Alaska Wilderness Recreation and Tourism Association against the U.S. Forest Service that has 282 million board feet in Tongass National Forest timber sales tied up. A proposed settlement may not be enough to keep Southeast mills adequately supplied. The Ketchikan Pulp Company blamed a shortage of timber for closing its Ketchikan sawmill and Annette Hemlock mill and won't open until September 1996. Approximately, 50 workers at each site will face layoffs plus 40 workers in the Thorne Bay sort yard.

Export trade of commodities will continue to expand after the large increases posted in 1995. Export trade for commodities increased 9.1% from \$2.45 billion in 1994 to \$2.66 billion in 1995. Fisheries export values rose 5.8%, while timber products for export rose 3.4%. Japan remained the major importer of Alaskan products with fisheries products accounting for two-thirds of Japan's total. Total imports in 1995 were \$1.87 billion, up 3.2% from 1994. Increases were also reported by the other major trading partners: Korea (25.7%), China (113.3%), and Taiwan (45.5%).

Anchorage's economy will be bolstered by a number of ongoing and new construction projects in 1996. Both private sector and commercial projects are planned for Anchorage, which has more than one-half of the construction jobs in the state. Major renovations and expansions are planned for motels and other existing commercial space. The Marriott hotel near the airport will start and Hilton was looking for potential development sites. The Northern Crossroads Discovery Center in the Ship Creek area was recently unveiled in March. Additional development in this area has been announced by Michigan-based LoPatin, which plans a \$12 million first phase tourism-oriented 50,000 square foot development project to be completed in May 1997. United Parcel Service will triple its international operations facility, worth an estimated \$5.5 million. Other projects include new \$14.5 million facilities at the Alaska Psychiatric Institute, four new elementary schools near completion, the \$15 million addition to West High School, \$73 million for two middle schools, and the Indian Health Service's hospital.

Fairbanks' economy benefitted from a strong tourism industry and a slight increase in military population, which accounts for 21 percent of the total borough population. The housing market in Fairbanks was beginning to soften with vacancy rates starting to increase during the past fall, due partially to the increased overall permitting in 1995. Major projects will include the Fort Knox Mine, the \$7.4 million Wedgewood Hotel, and the new Comfort Inn during 1996.

Juneau will see completion of the Mount Roberts Tramway and further development of the \$15 million project with construction of a large visitor center including a restaurant and theater. A third cruise ship dock is under construction, plus the potential for waterfront hotels was being examined by several Alaska Native corporations.

Various other regional projects are being constructed in the state during 1996. The SeaLife Center in Seward, with a projected investment of \$49.5 million, was begun last year and will be opened in June 1998. The Alaska Department of Fish and Game will begin construction, estimated at \$2.5 million, of a mariculture technical center and shellfish hatchery next to the SeaLife Center. Completion is expected in December 1997 for the \$100 million improved vapor recovery system at the Valdez tanker terminal. The \$267 million Healy Clean Coal Project will employ 300 workers this summer with startup expected in 1998. The 50-megawatt plant will supply power to the Interior and provide a demonstration of clean-coal technology in marketing Alaskan coal. The \$20 million Mount McKinley Princess Lodge north of Talkeetna will continue construction with a planned completion date of May 1997. Kodiak will see the Air Station begin building a \$18 million housing project and completion of the \$14.2 million hospital renovation in October. The private satellite launch facility at Narrow Cape on Kodiak

Island, with an estimated cost of \$24 million, has hopes of breaking ground this summer. Local spending has increased for schools and hospitals; however, municipalities may face future difficulties if the Legislature considers revenue-sharing reductions.

## Future Housing Concerns

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**T**he Alaska Department of Labor's long-term employment forecast projects most jobs in Alaska through 1999 will be in retail sales or food-related businesses. This will continue the trend away from higher-paying jobs associated with resource extraction, which are projected to decline. The annual statewide growth rate was forecast at 1.2 percent which would represent a continuation of 1995's slow growth performance. Anchorage/Mat-Su was projected at 1.3%, with Fairbanks at 1.5% and Southeast at 0.9%.

Although interest rates have climbed to the 8% level recently, they were still well below the 9% range of early 1995. Would-be homebuyers remained cautious as they tried to judge the future of interest rates. The 30-year fixed-rate mortgage has jumped over one percent from a low of 6.94% in October 1995 to 8.05% during the first week in April, and will undoubtedly reduce housing activity in the upcoming months.

The trade-up market has already softened as Baby-Boomers have decided to either stay put or remodel. Generation Xers, on the other hand, won't do well because their inflation-adjusted incomes haven't advanced much over the past ten years. As a result, they will have a difficult time accumulating a down payment to purchase a home, regardless of lower rates. Lenders have responded by attracting potential homebuyers with low- or no-money down payments. Nationally, seven percent of the mortgages made in 1993 were made to borrowers with less than 10% down; in 1995 this had expanded to a record high 22 percent, according to the Mortgage Information Corporation. The downside to borrowers was that it would raise the payments of the mortgage, plus typically they must buy private mortgage insurance to reduce the lender's risk.

Consumer spending, which represents about two-thirds of the nation's economic activity, will remain sluggish in 1996 due to continued weak income growth and large debt accumulation. The American Bankers Association reported that credit-card delinquencies tied a ten year high the last quarter of 1995, while the delinquency rate for all consumer debt rose for the fifth quarter in a row. In addition, a survey of banks by the Federal Reserve indicated that 10% of the banks were firming up their lending

standards because U.S. households were carrying higher debt burdens and showing increased willingness to declare bankruptcy. In Alaska, a lackluster growth in income is likely to continue if the larger portion of statewide employment is comprised of service and retail sector jobs. If these trends continue, it could mean a decline in the number of consumers in a financial position to undertake homeownership, with a corresponding negative impact upon housing activity and the building industry.

Recently, there were concerns that the housing industry may be facing a rough road ahead with predictions of negative returns over the next decade. According to Harvard's Joint Center for Housing Studies, prices of the typical new home have lagged inflation for most of the past decade, dropping 10% from 1989 to 1993. In 1995, the overall median and average prices of homes sold in the U.S. equaled the consumer price index (CPI), which meant no net change in real value. Projections of home prices were not any better, with drops of 10% (in real dollars) by 2006. Although there will be regional variations, the overall trend in prices was projected down in real terms. During the fourth quarter, the supply of new homes for sale was tagged at 7.2 months which was the largest backlog of unsold homes since a similar rate in June 1989.

Homebuilders believe that there will be a large pool of renters who have put off buying, a growing immigrant population, and increased remodeling which will keep housing demand strong and bolster prices. The argument against this scenario is that once renters understand that home ownership may offer a lower return then there might be more permanent renters, that immigrant growth will not be able to offset the declines in traditional home buyers, and that remodeling will be good for renovators but not big home builders. Builders throughout the country have reported an erosion of buyer perceptions of housing as an investment, especially with the recent stock market gains. Layoffs and the threat of layoffs are discouraging middle-age buyers from trading up to larger homes; this group is more willing to address remodeling needs rather than purchasing. Demographic trends are not favorable either. The pool of first-time homebuyers, typically aged 25 to 44 years old, will begin declining, which will reduce the demand for housing. A further reason for concern was the 3% rise in vacant housing units in 1995 to 12.7 million units. Builders and suppliers will need to gauge the underlying forces of demand and plan their projects based on objective evidence. If economic growth falters in 1996, builders will need to stress both the taxation advantages and investment strengths (financial leverage of the down payment) of home purchase in a low-inflation environment, and that investment in houses was a big factor that supported buyer demand in the 1970's and 1980's when housing was a hedge against a higher inflation environment. However, if wages are not high enough to support entry into the homeownership market, other incentives and tax advantages are likely to have little effect.

## ERRATA:

The 1995 Annual Rental Survey, published in the Spring 1995 issue of Alaska Housing Market Indicators, contained an error in the headings to Table 5-2 and Table 5-3, which may lead to some confusion in interpretation of the data, when compared to similar information published by the Alaska Department of Labor in its December 1995 Alaska Economic Trends report. Corrected tables are printed below.

## Single-Family Rental Cost and Vacancy Rates

### Selected Boroughs and Census Areas

1995

Table 5-2

									Percent Units with Utilities Included in Contract Rent					
Bedroom Number		Contract Rent		Adjusted Rent		Units Surveyed	Vacant Units	Vacancy Rate	Heat	Light	Hot Water	Water	Sewer	Garbage
		Average	Median	Average	Median									
Anchorage Borough														
1		\$482	\$500	\$568	\$588	23	0	0.0%	34.8%	21.7%	30.4%	73.9%	69.6%	56.5%
2		\$766	\$750	\$757	\$711	131	9	6.9%	10.7%	9.9%	10.7%	72.5%	72.5%	67.9%
3		\$1,041	\$1,030	\$1,006	\$967	228	19	8.3%	7.0%	3.9%	6.1%	52.6%	54.4%	47.8%
4		\$1,319	\$1,280	\$1,441	\$1,363	57	3	5.3%	12.3%	7.0%	10.5%	35.1%	35.1%	29.8%
Fairbanks North Star Borough														
1		\$491	\$475	\$1,441	\$1,363	44	4	9.1%	59.1%	11.4%	52.3%	72.7%	79.5%	77.3%
2		\$725	\$725	\$829	\$814	57	3	5.3%	42.1%	8.8%	24.6%	50.9%	56.1%	50.9%
3		\$907	\$900	\$1,030	\$1,008	87	1	1.1%	23.0%	9.2%	19.5%	43.7%	40.2%	47.1%
4		\$1,052	\$1,050	\$1,252	\$1,270	15	0	0.0%	20.0%	6.7%	20.0%	26.7%	33.3%	53.3%
Juneau Borough														
1		\$642	\$688	\$734	\$708	12	3	25.0%	50.0%	33.3%	33.3%	83.3%	83.3%	50.0%
2		\$867	\$850	\$1,007	\$1,001	38	0	0.0%	5.3%	2.6%	2.6%	97.4%	97.4%	10.5%
3		\$1,271	\$1,300	\$1,187	\$1,107	49	2	4.1%	14.3%	12.2%	12.2%	89.8%	93.9%	24.5%
Kenai Peninsula Borough														
1		\$453	\$458	\$556	\$560	35	4	11.4%	34.3%	25.7%	31.4%	60.0%	57.1%	34.3%
2		\$591	\$600	\$748	\$750	67	3	4.5%	17.9%	13.4%	17.9%	35.8%	40.3%	23.9%
3		\$772	\$800	\$899	\$885	86	6	7.0%	25.6%	19.8%	23.3%	41.9%	43.0%	25.6%
4		\$862	\$850	\$1,033	\$1,031	16	2	12.5%	12.5%	12.5%	12.5%	37.5%	43.8%	18.8%
Ketchikan-Gateway Borough														
1		\$516	\$500	\$621	\$600	17	1	5.9%	17.6%	23.5%	23.5%	52.9%	47.1%	23.5%
2		\$641	\$625	\$764	\$790	21	1	4.8%	4.8%	9.5%	28.6%	33.3%	42.9%	14.3%
3		\$822	\$900	\$957	\$1,043	18	1	5.6%	33.3%	22.2%	22.2%	50.0%	61.1%	33.3%
Kodiak Island Borough														
2		\$742	\$738	\$833	\$851	34	2	5.9%	5.9%	2.9%	26.5%	85.3%	100.0%	100.0%
3		\$845	\$775	\$1,007	\$948	27	0	0.0%	3.7%	0.0%	29.6%	88.9%	96.3%	96.3%
Matanuska-Susitna Borough														
1		\$459	\$475	\$527	\$528	28	3	10.7%	14.3%	10.7%	10.7%	25.0%	39.3%	10.7%
2		\$617	\$600	\$705	\$707	82	1	1.2%	11.0%	9.8%	11.0%	32.9%	35.4%	19.5%
3		\$804	\$825	\$933	\$952	106	3	2.8%	3.8%	2.8%	2.8%	21.7%	29.2%	7.5%
4		\$958	\$975	\$1,127	\$1,134	22	0	0.0%	9.1%	4.5%	9.1%	31.8%	27.3%	0.0%
Sitka Borough														
1		\$435	\$450	\$533	\$566	13	1	7.7%	15.4%	15.4%	15.4%	30.8%	30.8%	15.4%
2		\$765	\$663	\$886	\$792	31	1	3.2%	19.4%	12.9%	12.9%	12.9%	12.9%	12.9%
3		\$804	\$700	\$967	\$917	33	0	0.0%	3.0%	0.0%	3.0%	3.0%	3.0%	3.0%
Valdez-Cordova Census Area														
1		\$545	\$550	\$594	\$584	10	0	0.0%	90.0%	0.0%	90.0%	90.0%	90.0%	90.0%
Wrangell-Petersburg Census Area														
1		\$517	\$500	\$614	\$637	12	1	8.3%	33.3%	25.0%	25.0%	25.0%	25.0%	25.0%
2		\$645	\$650	\$755	\$746	19	2	10.5%	15.8%	15.8%	15.8%	15.8%	15.8%	15.8%
3		\$625	\$675	\$794	\$812	14	0	0.0%	7.1%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Alaska Department of Labor, Research and Analysis Section, 1995 Alaska Rental Survey.

# Apartment Rental Cost and Vacancy Rates

## Selected Boroughs and Census Areas

Table 5-3

1995

								Percent Units with Utilities Included in Contract Rent					
Bedroom Number	Contract Rent		Adjusted Rent		Units Surveyed	Vacant Units	Vacancy Rate	Heat	Light	Hot Water	Water	Sewer	Garbage
	Average	Median	Average	Median									
Anchorage Borough													
0	\$458	\$450	\$474	\$475	512	3	0.6%	88.5%	40.2%	83.0%	99.6%	99.6%	99.6%
1	\$563	\$575	\$587	\$595	2,485	83	3.3%	76.6%	41.9%	76.9%	98.2%	99.2%	98.7%
2	\$705	\$695	\$738	\$724	3,454	117	3.4%	76.4%	25.8%	76.3%	97.0%	98.1%	96.8%
3	\$860	\$825	\$911	\$876	1,031	32	3.1%	62.3%	13.6%	66.1%	93.8%	94.4%	91.3%
4	\$1,215	\$1,200	\$1,243	\$1,200	35	2	5.7%	88.6%	45.7%	91.4%	94.3%	97.1%	97.1%
Fairbanks North Star Borough													
0	\$377	\$350	\$384	\$361	262	50	19.1%	98.1%	43.1%	98.1%	99.6%	99.6%	98.9%
1	\$504	\$495	\$527	\$515	789	38	4.8%	92.5%	22.8%	89.7%	92.6%	92.3%	86.8%
2	\$655	\$650	\$681	\$672	1,201	42	3.5%	97.6%	13.2%	89.2%	97.4%	96.9%	89.3%
3	\$781	\$750	\$817	\$777	388	15	3.9%	95.6%	23.2%	78.1%	96.4%	95.6%	85.6%
4	\$1,027	\$1,007	\$1,111	\$1,141	28	2	7.1%	78.6%	25.0%	46.4%	75.0%	75.0%	46.4%
Juneau Borough													
0	\$511	\$450	\$546	\$503	46	2	4.3%	73.9%	17.4%	82.6%	100.0%	100.0%	100.0%
1	\$650	\$675	\$717	\$726	281	3	1.1%	54.8%	24.6%	55.9%	100.0%	96.1%	95.4%
2	\$812	\$825	\$901	\$906	564	5	0.9%	53.7%	12.4%	50.2%	98.8%	93.3%	96.5%
3	\$995	\$950	\$1,098	\$1,104	112	1	0.9%	60.7%	11.6%	41.1%	93.8%	93.8%	77.7%
4	\$2,325	\$2,400	\$2,381	\$2,466	10	0	0.0%	100.0%	0.0%	80.0%	100.0%	100.0%	80.0%
Kenai Peninsula Borough													
0	\$377	\$390	\$425	\$390	37	6	16.2%	67.6%	37.8%	64.9%	100.0%	94.6%	94.6%
1	\$472	\$450	\$515	\$473	306	6	2.0%	81.0%	26.5%	78.8%	96.1%	88.2%	94.8%
2	\$572	\$550	\$644	\$622	726	14	1.9%	73.3%	16.9%	69.0%	93.9%	88.7%	84.7%
3	\$704	\$700	\$762	\$749	197	6	3.0%	80.2%	21.3%	77.2%	88.3%	85.8%	79.7%
Ketchikan-Gateway Borough													
0	\$504	\$475	\$530	\$535	113	0	0.0%	77.0%	48.7%	75.2%	89.4%	89.4%	88.5%
1	\$599	\$600	\$649	\$654	289	15	5.2%	84.4%	48.4%	72.0%	59.5%	58.5%	58.8%
2	\$795	\$800	\$883	\$901	257	21	8.2%	72.8%	23.0%	58.0%	42.8%	48.2%	40.5%
3	\$871	\$850	\$1,019	\$1,031	66	0	0.0%	40.9%	4.5%	25.8%	18.2%	15.2%	13.6%
Kodiak Island Borough													
1	\$739	\$850	\$781	\$881	95	3	3.2%	85.3%	3.2%	93.7%	94.7%	97.9%	97.9%
2	\$867	\$850	\$928	\$933	88	3	3.4%	63.6%	20.5%	85.2%	92.0%	100.0%	100.0%
3	\$1,059	\$1,100	\$1,143	\$1,148	32	1	3.1%	56.3%	9.4%	75.0%	93.8%	96.9%	96.9%
Matanuska-Susitna Borough													
0	\$388	\$425	\$411	\$453	26	2	7.7%	100.0%	3.8%	96.2%	50.0%	96.2%	100.0%
1	\$536	\$454	\$565	\$522	161	3	1.9%	90.7%	46.0%	83.9%	94.4%	96.3%	96.9%
2	\$569	\$575	\$627	\$628	477	9	1.9%	72.3%	9.2%	70.9%	74.0%	79.7%	84.5%
3	\$700	\$700	\$772	\$770	78	0	0.0%	61.5%	16.7%	50.0%	60.3%	60.3%	51.3%
Sitka Borough													
1	\$592	\$600	\$723	\$690	82	1	1.2%	42.7%	9.8%	40.2%	47.6%	43.9%	40.2%
2	\$619	\$625	\$744	\$738	139	4	2.9%	59.7%	5.0%	49.6%	37.4%	33.8%	33.1%
3	\$847	\$850	\$997	\$1,105	63	17	27.0%	41.3%	12.7%	36.5%	38.1%	36.5%	34.9%
Valdez-Cordova Census Area													
2	\$993	\$1,050	\$1,063	\$1,094	47	0	0.0%	61.7%	2.1%	61.7%	100.0%	100.0%	100.0%
3	\$961	\$885	\$1,015	\$939	33	20	60.6%	100.0%	0.0%	100.0%	100.0%	100.0%	100.0%
Wrangell-Petersburg Census Area													
1	\$616	\$550	\$665	\$647	67	7	10.4%	91.0%	40.3%	79.1%	56.7%	56.7%	50.7%
2	\$640	\$689	\$721	\$689	71	3	4.2%	83.1%	28.2%	62.0%	45.1%	35.2%	32.4%
3	\$830	\$816	\$891	\$831	18	2	11.1%	72.2%	55.6%	72.2%	72.2%	55.6%	55.6%

Source: Alaska Department of Labor, Research and Analysis  
Section, 1995 Alaska Rental Survey.

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